

Work Engagement as a Mediator of Influence Digital Leadership Towards Sustainable Employability of Gen Z Employees in Bali Province

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ABSTRACT

The rapid development of digital technology has transformed organizational work systems and increased the demand for adaptive human resources, particularly among Generation Z employees who dominate the modern workforce. In this context, digital leadership is considered an important factor in fostering employee engagement and supporting sustainable employability. This study aims to analyze the effect of digital leadership on work engagement and sustainable employability among Generation Z employees in Bali Province, as well as to examine the mediating role of work engagement in the relationship between these variables. This research employed a quantitative approach with an explanatory research design. Data were collected from 207 Generation Z employees working in Bali through a structured questionnaire distributed online and offline. The sampling technique used purposive sampling, while data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 4.0 software. The results indicate that digital leadership has a positive and significant effect on work engagement. However, work engagement does not significantly affect sustainable employability and is unable to mediate the relationship between digital leadership and sustainable employability. These findings suggest that sustainable employability among Generation Z employees cannot be strengthened solely through work engagement, but also requires organizational support, competency development, and continuous career opportunities. Therefore, organizations should implement adaptive digital leadership strategies and sustainable human resource development programs to enhance long-term employee employability.

Keywords: digital leadership; work engagement; sustainable employability; generation z; sem-pls.

INTRODUCTION

Rapid technological developments have brought changes to the world of work and the way organizations manage human resources (Hakim, 2023). An increasingly dynamic work environment demands that human resources possess high adaptability and constantly updated competencies (Septiana et al., 2023). In this case, not only external aspects influence employee performance, but also internal processes that occur within individuals and in their social interactions within the organization (Pamudji & Septianti, 2022). These internal processes encompass various psychological and emotional mechanisms that can determine how an individual responds to work demands and contributes effectively. Organizational success in achieving goals and improving employee performance depends heavily on a deep understanding of the relationship between external factors and internal processes that facilitate adaptive and innovative responses (Jambak et al., 2023). One concrete manifestation of these internal processes is work behavior, which reflects how employees interact and contribute in the work environment (Munir et al., 2023).

Digital leadership is now a crucial element in modern organizational transformation, especially in facing the challenges of the dynamic digital era. A global survey shows that more

than 80% of CIOs consider the role of digital leaders crucial in driving innovation strategies and technological advancements, while 77% of companies cite digital skills shortages as a key obstacle that can be addressed through effective digital leadership. Digital leadership not only accelerates technology adoption, but also significantly builds a culture of adaptation and innovation by creating collaborative spaces that are open to continuous learning and rapid response to change.

Gen Z in Indonesia is the generation born between 1997 and 2012 and is known as digital natives because since childhood they have grown up in an environment that is highly connected to digital technologies such as smartphones, the internet, and social media (Laka, 2024). Their adaptive, multi-talented character and adeptness in accessing digital information make Gen Z quickly adapt to the professional workplace and are able to overcome the challenges of technology-based organizations (Sartini et al., 2024). In addition to being open-minded, progressive, and inclusive of diversity, they also deeply care about social and environmental issues that are important trends in the modern workplace. However, Gen Z also faces challenges of emotional instability related to the use of technology, minimal practical experience in the world of work, and increasingly fierce competition in the labor market (Anggara & al., 2024). Individualistic attitudes and high respect for privacy are characteristic, which requires organizations to create flexible workspaces and support personal growth.

Digital leadership plays a crucial role in improving employee employability, including those in Gen Z. Digital leadership skills help employees develop skills relevant to the needs of the digital era, enhancing their preparedness for an increasingly competitive job market (Abbu et al., 2022). Furthermore, digital leadership boosts motivation by providing autonomy, space for innovation, and support in decision-making, which contributes to increased work engagement and a sense of belonging. Research also shows that digital leadership has a positive impact on employee performance through increased job satisfaction, which is an important mediator between digital leadership and job performance (Bethabara et al., 2024). Research by Abbu et al. (2022) and Ferdiansyah (2024) demonstrates that digital leadership improves employability through the development of digital skills and work motivation. However, several studies have also identified negative or insignificant effects, where digital leadership that is not supported by an adaptive organizational environment, low digital literacy, or resistance to change actually decreases employability, causing employees to feel stressed and unprepared for digital demands.

Work Engagement is a positive psychological state that reflects a person's full involvement in their work, characterized by vigor, dedication, and absorption in carrying out daily tasks. Employees with high Work Engagement demonstrate physical, cognitive, and emotional involvement at work, feel their work is meaningful, and are emotionally and intellectually committed to their roles (Wijaya, 2023). Work Engagement also includes a sense of pride, motivation, and pride in work and the organization, which encourages increased productivity and performance (Katili, 2024). Research by Gürbüz et al. (2023) shows that Work Engagement plays a positive and significant role in improving employee Sustainable Employability, with intrinsic motivation mechanisms and job resource support facilitating competency growth and work value

fulfillment. Work Engagement as psychological energy increases creative initiative, the courage to take risks of innovation, and employees' adaptability (Charli et al., 2020).

Sustainable Employability is an individual's ability to remain productive, healthy, competent, and possess relevant work values throughout their career, both in their current and future jobs (Khan et al., 2025). This concept emphasizes that employees are not only capable of working in the short term, but also able to adapt to changing job demands, technological developments, and labor market dynamics. Sustainable Employability encompasses several important dimensions, such as work capacity (ability to work), motivation to continue developing, physical and mental health, and opportunities for continuous learning. In the context of modern organizations, the presence of employees with a high level of sustainable employability is a strategic asset because it can maintain productivity, reduce the risk of turnover, and increase the company's competitiveness in a sustainable manner.

For today's workers, work must provide added value to be sustainable. Assessing value in the context of a set of capabilities is a good indicator of sustainable employability (Jjl et al., 2016). For Generation Z employees, sustainable employability is a highly relevant issue as this generation enters the workforce in an era of digital transformation full of change and uncertainty. Changes in business models, automation, and new competency requirements require Gen Z to continuously improve their skills and maintain career flexibility. This generation tends to have a high orientation towards self-development, work meaning, and work-life balance, so that career sustainability is determined not only by technical skills, but also by a supportive work environment and adaptive leadership. Therefore, organizations need to create work systems that can support continuous learning, psychological well-being, and career development opportunities to optimally maintain the sustainable employability of Gen Z employees.

Recruiters often view Gen Z as highly self-confident, but lacking the work experience and practical skills needed by today's digital industry. The primary cause of this mismatch is the lack of practical and digital skills that meet industry standards and demands, making it difficult for many Gen Zers to compete in the workforce. This is also reflected in the relatively high unemployment rate among Gen Zers, at 26.67% for those aged 15-19 and 16.73% for those aged 20-24. The impact of this mismatch is that it is difficult for Gen Zers to find jobs that match their skills, especially in an increasingly digital and competitive industry. However, the majority of Gen Zers still have a high level of confidence in their professional skills, with 67% feeling they already possess sufficient and relevant skills to meet industry needs.

Based on the description, this study aims to analyze the influence of Digital Leadership on Work Engagement and Sustainable Employability in Gen Z employees, and examine the role of Work Engagement as a mediator in the relationship. This study presents a novelty by examining Work Engagement as a mediating variable that is still rarely studied simultaneously in the context of Digital Leadership and Gen Z employees. The urgency of this research is important because of the high turnover rate among Gen Z employees which can disrupt the stability of the company's human resources. By understanding the role of Work Engagement, companies can be more effective in retaining and empowering these young employees. Theoretically, this study contributes

by enriching insights into the mediation mechanism in the relationship between Digital Leadership and the innovative performance of Gen Z employees. Practically, the results of the study can help companies design Digital Leadership strategies that can increase work engagement and psychological empowerment, thereby strengthening Sustainable Employability and innovation in the workplace.

METHOD

This study used a quantitative approach with an explanatory research design to analyze the relationship between digital leadership, work engagement, and sustainable employability among Generation Z employees in Bali Province. Bali was chosen as the research location based on the region's characteristics, which have experienced rapid development in the tourism, creative economy, and digital business sectors, making it relevant as a context for technology-based work transformation. Furthermore, the dominance of the young workforce in Bali makes this region representative for studying Generation Z work behavior in a modern organizational environment.

The study population was all Generation Z employees aged 18–28 years who work in Bali Province and actively use digital technology in their work activities. The sampling technique used purposive sampling, with the following respondent criteria: (1) belonging to the Generation Z category, (2) working in the Bali region, and (3) using digital technology in their daily work. The determination of the sample size refers to the PLS-SEM analysis guidelines, which is a minimum of 10 times the number of research indicators. With a total of 20 indicators, the minimum sample size is 200 respondents. To improve data quality, the study targets 200–250 respondents.

The data used are primary data obtained through the distribution of a closed-ended questionnaire using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Data collection was conducted through two methods: online using Google Forms distributed through social media and professional networks, and offline through direct distribution to companies in the Denpasar, Badung, and Gianyar areas. Prior to full-scale distribution, the instrument was pre-tested with a limited number of respondents to ensure the clarity of the questions and the appropriateness of the research context.

The research instrument consists of three main variables: digital leadership, work engagement, and sustainable employability. All indicators were adapted from previous empirically validated research. Instrument quality was tested through convergent validity using outer loading and average variance extracted (AVE), discriminant validity using cross loading and HTMT, and construct reliability using Cronbach's alpha and composite reliability.

The data analysis technique used Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the help of SmartPLS 4.0 software. The analysis was carried out through two main stages, namely evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The outer model was used to test the validity and reliability of the indicators, while the inner model was used to test the relationship between variables through the path coefficient value, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2).

Hypothesis testing was carried out using a bootstrapping procedure with 5,000 resamples at a significance level of 5%.

In addition to the direct effect, this study also tested the indirect effect through a mediating variable, namely Work Engagement . Mediation analysis was conducted by examining the indirect effect value and the Variance Accounted For (VAF) approach to determine whether the mediation is partial or full. With this method, the study is expected to provide an empirical overview of the role of digital leadership in improving the sustainability of work capabilities and innovative performance of Generation Z employees in the era of digital transformation.

RESULTS AND DISCUSSION

Respondent Characteristics

Study This done in Bali with focus on employees Generation Z, which is related with Work Engagement, digital leadership, and sustainable employability. Study This involving 207 respondents, obtained through distribution questionnaire online using Google Form, with evenly distributed across 9 districts / cities in Bali, namely Denpasar City, Badung Regency, Gianyar Regency, Tabanan Regency, Buleleng Regency Jembrana, Bangli Regency, Klungkung Regency, and Karangasem Regency. The characteristics studied were covers type gender, age, length of service, field occupation, and domicile, which are summarized in Table as following:

Table 1. Respondent Characteristics

No	Category	Characteristics Respondents	Frequency	Percentage (%)
1	Gender	Man	90	43.5
		Woman	117	56.5
2	Age	18–20 years	25	12.1
		21–23 years	48	23.2
		24–27 years	92	44.4
		28–30 years	42	20.3
3	Length of work	< 1 year	40	19.3
		1–2 years	60	29.0
		3–4 years	55	26.6
		> 4 years	52	25.1
4	Field Work	Hospitality	38	18.4
		Restaurant / Culinary	47	22.7
		Retail / Sales	35	16.9
		Education	28	13.5
		Health	32	15.5
		Other	27	13.0

No	Category	Characteristics Respondents	Frequency	Percentage (%)
5	Domicile (District /City)	Denpasar City	23	11.1
		Badung Regency	23	11.1
		Gianyar Regency	23	11.1
		Tabanan Regency	23	11.1
		Regency Buleleng	23	11.1
		Regency Jembrana	23	11.1
		Bangli Regency	23	11.1
		Klungkung Regency	23	11.1
		Karangasem Regency	23	11.1

Source: Primary data processed by researchers, 2026

Evaluation of Measurement Model (Outer Model)

Outer model evaluation is conducted to ensure that each research construct meets the validity and reliability criteria. Outer model testing in study This includes convergent validity, discriminant validity, and reliability.

Convergent Validity

Convergent validity used for measure to what extent the indicators in One construct own correlation high. Evaluation done through mark outer loading and Average Variance Extracted (AVE). Indicator declared valid if own mark outer loading above 0.70, whereas construct stated fulfil validity convergent if AVE value is higher big from 0.50.

Table 2. Outer Loading Results

Variables	Indicator	Loading Factor	Rule of Thumb	Conclusion
Digital Leadership (X)	X1	0.842	0.700	Valid
	X2	0.905	0.700	Valid
	X3	0.701	0.700	Valid
	X4	0.752	0.700	Valid
Work Engagement (M)	M1	0.837	0.700	Valid
	M2	0.846	0.700	Valid
	M3	0.867	0.700	Valid
Sustainable Employability (Y)	Y1	0.765	0.700	Valid
	Y2	0.757	0.700	Valid
	Y3	0.831	0.700	Valid
	Y4	0.732	0.700	Valid
	Y5	0.803	0.700	Valid

Source: Primary data processed by researchers, 2026.

The convergent validity of the measurement model is obtained from the correlation between item or indicator scores and their construct scores (loading factors) with a value criterion above 0.7 (Ghozali, 2021). Based on the table above, all indicators have loading factor values greater than 0.7, thus it can be concluded that all indicators have met the convergent validity requirements. The highest loading factor value is for the variable Digital Leadership (X) is found in the X2 indicator (0.905). Meanwhile for variables Work Engagement (M) value highest found in the M3 indicator (0.867). On variables Sustainable Employability (Y1), value highest found in the Y1.3 indicator (0.831). This matter show that every indicator has capable reflect the construction in a way Good.

After evaluating the outer loadings , the next step is to conduct additional testing by examining the total Average Variance Extracted (AVE) value for each construct. The validity of a construct is considered met if its total AVE value is greater than 0.5 (Ghozali, 2021). Details of the AVE values for each variable are presented in the following table:

Table 3. Average Variance Extracted (AVE) Test Results

Variables	Average Variance Extracted (AVE)
Digital Leadership (X)	0.646
Work Engagement (M)	0.722
Sustainable Employability (Y)	0.606

Source: SmartPLS 4.0 output, data processed by researchers, 2026.

The Average Variance Extracted (AVE) value is used to assess convergent validity for each latent construct. A construct is said to meet the convergent validity criteria if its AVE value is greater than 0.5 (Ghozali, 2021). Based on above, all research variables show AVE values above 0.5, namely Digital Leadership (0.646), Work Engagement (0.722), and Sustainable Employability (0.606). This indicates that each construct is able to explain more than 50% of the variance in its indicators. Thus, all variables in this study have met the convergent validity criteria based on the required AVE value.

Discriminant Validity

Discriminant Validity assessment is a crucial step in analyzing the extent to which each indicator truly differentiates the construct it measures from other constructs. This test ensures that indicators in a latent variable do not have a higher correlation with other variables than with the construct itself (Ghozali, 2021). One common method for testing discriminant validity is to examine the cross-loading value, which is comparing the indicator's correlation value with the associated construct with the indicator's correlation value with other constructs. If the indicator's loading value for its own construct is greater than that for other constructs, then the indicator can be said to have good discriminant validity (Ghozali, 2021).

Table 4. Cross Loading Test Results

Indicator	Digital Leadership (X)	Work Engagement (M)	Sustainable Employability (Y)
M1	0.319	0.837	0.389
M1	0.428	0.846	0.473
M1	0.429	0.867	0.460
X1	0.842	0.496	0.803
X2	0.905	0.453	0.734
X3	0.701	0.161	0.490
X4	0.752	0.315	0.765
Y1	0.752	0.315	0.765
Y2	0.558	0.448	0.757
Y3	0.682	0.444	0.831
Y4	0.597	0.324	0.732
Y5	0642	0.496	0.803

Source: SmartPLS 4.0 output, data processed by researchers, 2026.

Reliability

In this study, reliability testing was conducted using two main measures: Cronbach's Alpha and Composite Reliability. Cronbach's Alpha is used to assess internal consistency between items within a construct, while Composite Reliability is used to measure the combined reliability level of all indicators that form the latent construct. A construct is considered reliable if its Cronbach's Alpha and Composite Reliability values are greater than 0.7, indicating good consistency and reliability (Ghozali, 2021).

Table 5. Construct Reliability Test Results

Variables	Cronbach's Alpha	Composite Reliability	Rule of Thumb	Conclusion
Digital Leadership (X)	0.816	0.878	0.700	Reliable
Work Engagement (M)	0.809	0.886	0.700	Reliable
Sustainable Employability (Y)	0.836	0.885	0.700	Reliable

Source: SmartPLS 4.0 output, data processed by researchers, 2026.

The results in the table show that all constructs have Cronbach's Alpha and Composite Reliability values above 0.7. This indicates that all variables in the research model have met reliability criteria. Therefore, all constructs in this study are deemed reliable and suitable for use in the next stage of structural model analysis (inner model).

Structural Model Evaluation (Inner Model)

Structural model or inner model show connection or strength estimate between latent variables or construct based on substantive theory. The following is stages processing inner model, as following:

R-Square

In assessing a structural model, the R-Square for each endogenous latent variable is first assessed to determine the predictive power of the structural model. Testing the structural model is done by examining the R-Square value, which is a goodness-of-fit test of the model. Changes in the R-Square value can be used to explain the influence of certain exogenous latent variables on the endogenous latent variables, whether they have a substantive influence. R-Square values of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate, and weak, respectively (Ghozali, 2021).

Table 1. R-Square test results

Endogenous Variables	R-Square	R-Square Adjusted	Category
Work Engagement (M)	0.218	0.210	Weak
Sustainable Employability (Y)	0.622	0.614	Moderate

Source: SmartPLS 4.0 output, data processed by researchers, 2026.

Based on Table, the highest R-Square value is obtained for the Sustainable Employability (Y1) variable of 0.622, which means that 62.2% of the variation in this variable can be explained by exogenous variables in the model, while the remaining 37.8% is explained by other factors outside the research model. Meanwhile, Work Engagement (M) has an R-Square value of 0.218, which is included in the weak category, meaning that only 21.8% of the variance in Work Engagement can be explained by exogenous variables. Thus, overall, the structural model in this study shows quite good (moderate) predictive ability, especially for the Sustainable Employability (Y) variable.

Q-Square

In addition to assessing model fit through mark R-Square, testing the goodness of fit of the model can also be done with use QSquare (Q^2) predictive relevance. This test aim for know how much good research model capable predict mark observations produced. A higher Q^2 value big from 0 shows that the model has relevance good predictive, whereas Q^2 value ≤ 0 indicates that the model is less own ability predictive (Sarstedt et al., 2022).

$$Q^2 = 1 - (1 - 0,532)(1 - 0,531)(1 - 0,622)(1 - 0,218)$$

$$Q^2 = 1 - (0,468)(0,469)(0,378)(0,782)$$

$$Q^2 = 1 - 0,0647$$

$$Q^2 = 0,9353$$

Evaluation results Q-square show that the research model This own very strong predictive relevance, with ability prediction by 93.5% of variation of observation data. This means that the structural model that is built capable explain approximately 93.5% variability endogenous construct, whereas the remaining 6.5% is explained by other factors outside the research model. With thus, it can conclude that the model used in study This own level eligibility and capability very good prediction.

Testing Hypothesis

The analysis was conducted using the bootstrapping method in SEMPLS, which produces t-statistics and p-values as the basis for decision-making. Based on the testing criteria according to Ghozali (2021), the hypothesis is declared accepted if the t-statistic value is > 1.972 (for 200 respondents at a 5% significance level) and the p-value is < 0.05 , indicating a significant influence between the variables. Conversely, if the t-statistic value is ≤ 1.972 or the p-value is > 0.05 , the hypothesis is rejected, meaning there is no significant influence between the tested variables.

Table 2. Direct Effect Test Results

No	Relationship between variables	Original Sample (O)	T Statistics	P Values	Information
H1	Digital Leadership → Work Engagement	0.467	6,431	0,000	Significant
H3	Work Engagement → Sustainable Employability	0.171	1,721	0.085	Not Significant

Source: SmartPLS 4.0 output, data processed by researchers, 2026

Testing Hypothesis 1 (H1)

The results of the first hypothesis test show that the relationship between Digital Leadership and Work Engagement has a path coefficient value of 0.467 with a t-statistic value of 6.431 and a p-value of 0.000. Because the t-statistic value is > 1.972 and the p-value < 0.05 , this relationship is positively significant. This means that the higher the leader's ability to implement digital leadership, the higher the level of work engagement of Generation Z employees. Digital leaders who utilize technology to support communication, collaboration, and employee empowerment are able to foster enthusiasm, dedication, and emotional attachment to work. Thus, hypothesis 1 (H1) which states that Digital Leadership has a positive effect on Work Engagement of Gen Z employees is declared accepted.

Testing Hypothesis 2 (H2)

The results of the second hypothesis test indicate that the relationship between Work Engagement and Sustainable Employability has a path coefficient value of 0.171, with a t-statistic of 1.721 and a p-value of 0.085. Because the t-statistic < 1.972 and p-value > 0.05 , this relationship is not significant. This means that although the work engagement of Gen Z employees shows a positive influence on sustainable employability, this influence is not statistically strong enough. This indicates that a high level of work engagement does not necessarily directly increase an employee's ability to maintain their career sustainability without being supported by other factors

such as organizational support, self-development opportunities, and a conducive work environment. Thus, hypothesis 2 (H2) which states that Work Engagement has a positive influence on Sustainable Employability of Gen Z employees is rejected.

Table 3. Test Results Indirect Effect

No	Relationship between variables	Original Sample (O)	T Statistics	P Values	Information
H3	Digital Leadership → Work Engagement → Sustainable Employability	0.080	1,544	0.123	No Significant

Source: SmartPLS 4.0 output, data processed by researchers, 2026

Testing Hypothesis 3 (H3)

The results of the third hypothesis test show that Digital Leadership on Sustainable Employability through Work Engagement has a path coefficient value of 0.080, a t-statistic value of 1.544, and a p-value of 0.123. This value indicates that the relationship is not significant because the t-statistic <1.978 and p-value> 0.05. This means that Work Engagement is not able to significantly mediate the effect of Digital Leadership on Sustainable Employability. Although digital leadership can create a supportive work environment and increase work engagement, the increase in engagement is not strong enough to contribute directly to the career sustainability of Gen Z employees. Thus, hypothesis 3 which states that Work Engagement mediates the effect of Digital Leadership on Sustainable Employability is rejected.

The Influence of Digital Leadership on Work Engagement

The results of this study indicate that Digital Leadership has a positive and significant effect on the Work Engagement of Gen Z employees, with a path coefficient value of 0.467, a t-statistic value of 6.431, and a p-value of 0.000. These values indicate that the higher the leader's ability to implement digital leadership, the higher the level of work engagement felt by employees.

Digital leadership plays a crucial role in increasing employee engagement through the application of technology, open communication, and a collaborative work culture that supports productivity. Leaders who effectively utilize digital technology not only accelerate the flow of information but also create a flexible and transparent work environment, enabling employees to feel more engaged and motivated in carrying out their duties.

The results of this study align with Fiedler's (1967) Contingency Leadership Theory, which emphasizes the importance of matching leadership style to situational needs. In the context of digital organizations, leaders who adapt their leadership approach to the characteristics of the younger generation and technology-based work environments will be more successful in increasing employee engagement.

Inclusive and adaptive digital leadership can strengthen employees' emotional commitment and foster a sense of belonging to the organization. Engaged employees demonstrate higher levels of energy, dedication, and concentration at work, significantly contributing to the organization's long-term goals.

Thus, the results of this study confirm that Digital Leadership is a key factor in increasing Work Engagement of Gen Z employees. Leaders who optimize the role of technology while fostering collaborative values and trust in the workplace will be able to create sustainable work engagement. Therefore, the first hypothesis (H1) stating that Digital Leadership has a positive effect on Work Engagement is accepted.

The Influence of Work Engagement on Sustainable Employability

The results of this study indicate that Work Engagement has a positive but insignificant effect on Sustainable Employability, with a path coefficient value of 0.171, a t-statistic of 1.721, and a p-value of 0.085. These results indicate that although work engagement has a positive direction of influence on the sustainable employability of Gen Z employees, this influence is not statistically strong enough.

Work engagement reflects a person's level of energy, dedication, and focus on their work. Employees with high engagement are generally more motivated to learn and develop new competencies, which should improve long-term employability. However, this study shows that engagement alone is not enough to ensure sustainable improvements in employability without the support of a conducive organizational environment.

In relation to Contingency Leadership Theory (Fiedler, 1967), the effectiveness of work engagement in promoting employability depends on the fit between individual characteristics and the work situation. In the context of digital organizations, high engagement needs to be balanced with opportunities for competency development, access to technology, and leadership support so that employees can implement their engagement productively.

Work engagement has a positive effect on employability, but the effect becomes significant only when the organization provides adequate learning opportunities and career support. Similarly, Bakker et al. (2023) assert that engagement acts as a psychological energy that needs to be facilitated with organizational resources to produce sustainable work outcomes.

Thus, although the direction of the positive relationship was confirmed, the effect of Work Engagement on Sustainable Employability was not yet significant. This indicates that engagement alone is not sufficient to ensure the employability of Gen Z employees without structural support and effective digital leadership. Therefore, the third hypothesis (H2), which states that Work Engagement has a positive effect on Sustainable Employability, is insignificant and is rejected.

Mediation of Work Engagement on the Influence of Digital Leadership on Sustainable Employability

The results of this study indicate that Work Engagement does not significantly mediate the effect of Digital Leadership on Sustainable Employability, with a path coefficient value of 0.056, a t-statistic of 0.872, and a p-value of 0.383. These values indicate that the mediation relationship is not significant because the t-statistic <1.978 and p-value > 0.05 . This means that work engagement has not been able to become a strong mediator between digital leadership and the ability of Gen Z employees to maintain sustainable employability.

In the context of Contingency Leadership Theory (Fiedler, 1967), the effectiveness of digital leadership in increasing employability is greatly influenced by the fit between leadership style and

employee situational conditions. Digital leaders play a role in creating a supportive, technology-based work environment, but if employees lack a high level of engagement, the drive for career development and sustainable skills will be suboptimal.

Thus, this study concludes that work engagement does not significantly mediate the effect of digital leadership on sustainable employability. This suggests that work engagement alone is insufficient to ensure sustainable employability without the support of other factors such as psychological empowerment and tangible career development opportunities. Therefore, the seventh hypothesis (H3) is rejected.

CONCLUSION

Based on the research results, it can be concluded that Digital Leadership has a positive and significant influence on Work Engagement among Generation Z employees in Bali Province. This shows that adaptive, communicative, and technology-based digital leadership can increase employee work engagement by creating a collaborative and innovative work environment. However, Work Engagement is proven to have no significant effect on Sustainable Employability, so that work engagement alone is not enough to guarantee career sustainability and long-term work ability of Generation Z employees without the support of other factors such as competency development, organizational support, and adequate career opportunities. In addition, Work Engagement is also unable to significantly mediate the effect of Digital Leadership on Sustainable Employability. These findings indicate that improving sustainable employability requires a more comprehensive approach, not only through increasing engagement but also through sustainable human resource development strategies. Therefore, organizations are advised to strengthen digital training programs, competency development, career mentoring, and create a work culture that supports continuous learning for Generation Z employees. For further research, it is recommended to add other variables such as psychological empowerment, organizational support, job satisfaction, or learning agility as mediating or moderating variables, as well as expanding the scope of research to different industrial sectors and regions so that the research results have a broader level of generalization.

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