THE INFLUENCE OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) AND EMPLOYER BRANDING ON EMPLOYEE RETENTION, WITH PSYCHOLOGICAL SAFETY AS A MEDIATING VARIABLE

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Abstract

Research on Environmental, Social, and Governance (ESG), employer branding, psychological safety, and employee retention has grown rapidly; however, most studies still examine the relationships among these variables separately. Consequently, the mechanisms explaining how ESG and employer branding influence employee retention have not been extensively explored, particularly in the construction industry in Indonesia. This study aims to analyze the influence of ESG and Employer Branding on employee retention, both directly and through Psychological Safety as a mediating variable. The study employs a quantitative approach with an explanatory research design and a cross-sectional survey. Data was collected from 159 project employees of PT Wijaya Karya (Persero) Tbk. in Subang Regency using a Likert-scale questionnaire and were analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach with Smart-PLS 4. The results indicate that ESG, employer branding, and psychological safety have a positive effect on employee retention. Employer Branding also has a positive effect on Psychological Safety, whereas the effect of ESG on Psychological Safety was not found to be significant. Furthermore, Psychological Safety was found to mediate the relationship between ESG and Employer Branding on employee retention. These findings suggest that strengthening Employer Branding and fostering Psychological Safety are more effective strategies for improving employee retention than relying solely on the implementation of ESG. This study provides an empirical contribution to the development of the literature on sustainable human resource management and offers insights for construction companies in designing more comprehensive employee retention strategies.

Keywords: Environmental, Social, and Governance (ESG); Employer Branding; Psychological Safety; Employee Retention; Construction Industry.

INTRODUCTION

The dynamics of the global workplace have undergone significant changes over the past decade, making employee retention one of the strategic issues that increasingly determines an organization's sustainability. Advances in digital technology, the acceleration of automation, changes in the characteristics of the workforce, and growing demands for sustainable business practices have transformed employees' expectations of the workplace. Employees no longer consider compensation alone; they also pay attention to organizational values, a supportive work environment, and the company's commitment to social responsibility and good governance. These conditions make an organization's ability to retain high-quality talent a critical factor in maintaining competitiveness and long-term business sustainability (World Economic Forum, 2023).

In Indonesia, employee retention is a significant challenge, particularly in the construction sector, which contributes 9.48% to the Gross Domestic Product (GDP) and employs more than 8.7 million workers—or about 5.97% of the total working population (BPS–Statistics Indonesia, 2025).

Despite its strategic role in national development, this sector faces a relatively high rate of employee turnover due to the project-based nature of the work, high job mobility, and significant occupational safety and health risks. These conditions lead to increased recruitment and training costs, decreased productivity, and disruptions to project continuity. Therefore, identifying factors that can improve employee retention is crucial for maintaining workforce stability while supporting the competitiveness of construction companies (BPS–Statistics Indonesia, 2025).

In line with the sustainable development agenda, the Indonesian government continues to promote the implementation of Environmental, Social, and Governance (ESG) principles as part of efforts to strengthen corporate governance across various sectors, including the construction industry. ESG is a framework that integrates environmental, social, and governance aspects into an organization's strategy to create long-term value for all stakeholders (Friede et al., 2015). From a human resource management perspective, the implementation of ESG not only reflects a company's commitment to sustainability but also fosters a safer, fairer, more inclusive, and employee-wellbeing-oriented work environment (Muskan et al., 2024). Various studies show that consistent ESG implementation can increase job satisfaction, employee engagement, and organizational commitment, which ultimately contribute to improved employee retention (Fatemi et al., 2018; Muskan et al., 2024). Therefore, ESG is no longer viewed merely as a tool to meet regulatory requirements or enhance a company's reputation, but also as a sustainable human resources management strategy for retaining high-quality talent.

Specifically, the social dimension of ESG encompasses various aspects related to human resource management, such as occupational safety and health, employee competency development, diversity and inclusion, well-being, and harmonious labor relations. The implementation of these practices demonstrates the organization's commitment to meeting employees' needs and protecting their interests, thereby fostering a positive perception of the company and strengthening employees' desire to remain part of the organization (Kolk, 2016). On the other hand, the governance dimension emphasizes the importance of transparency, accountability, integrity, and business ethics in every organizational decision-making process. Good governance enhances employees' trust in the organization by creating a more fair, consistent, and predictable work environment, thereby reducing uncertainty in the workplace and strengthening employees' long-term commitment to the company.

In addition to the implementation of ESG, employer branding is also a key strategy in human resource management for attracting and retaining high-quality employees. Employer branding is defined as a set of functional, economic, and psychological benefits that a company offers to its employees, thereby shaping the organization's image as an attractive workplace (Ambler & Barrow, 1996). This concept has since evolved into two dimensions: internal employer branding, which focuses on strengthening organizational culture and values; and external employer branding, which aims to build the company's reputation in the labor market (Backhaus & Tikoo, 2004). Employer branding is implemented through the Employer Value Proposition (EVP), the value a company offers employees in the form of career opportunities, work environment, organizational culture, compensation, and organizational goals. A strong EVP is believed to enhance the organization's appeal while strengthening employees' commitment to stay with the company.

Various studies show that strong employer branding contributes to increased employee retention. Companies that can build a positive image as a workplace that values, supports, and provides career development opportunities tend to have employees with higher commitment and lower turnover intentions (Lievens & Slaughter, 2016). This factor is particularly important in the construction industry, which is characterized by high work pressure, significant project mobility, and relatively high safety risks; as a result, a positive perception of the company can be one of the key factors influencing employees' decision to stay.

However, the impact of ESG and employer branding on employee retention is not always direct. One mechanism believed to bridge this relationship is psychological safety—the belief that the work environment allows employees to express their opinions, collaborate, and take risks without fear of negative consequences (A. Edmondson, 1999a). When organizations implement ESG practices and build a strong employer brand, employees tend to feel more valued, trusted, and supported. These conditions can foster psychological safety, which ultimately drives employees' commitment and desire to remain with the organization.

Psychological safety enables employees to express their opinions, share ideas, and collaborate without fear of negative consequences. This fosters trust, openness, and a sense of being valued in the workplace, thereby increasing employees' commitment to remain with the organization (Plouffe et al., 2023). In the construction industry, psychological safety is becoming increasingly important due to the high-risk nature of the work and the need for effective team coordination. A work environment that encourages openness in reporting potential hazards and raising safety concerns contributes to the creation of a safer work culture and supports the organization's sustainability.

Although ESG, employer branding, psychological safety, and employee retention have been extensively studied separately, research that integrates all four variables into a single model remains limited. Most studies on ESG focus primarily on corporate performance and investor perceptions (Friede et al., 2015), while research on employer branding tends to focus on a company's ability to attract talent (Backhaus & Tikoo, 2004; Lievens & Slaughter, 2016). Therefore, research analysing the impact of ESG and employer branding on employee retention through psychological safety—particularly in the construction industry in Indonesia—still requires further development.

Based on this research gap, this study offers a novel model that integrates Environmental, Social, and Governance (ESG), Employer Branding, Psychological Safety, and employee retention into a single empirical framework. Unlike previous studies, which generally examined the relationships between variables separately, this study positions psychological safety as a mediating variable to explain how ESG practices and employer branding influence employees' decisions to remain with the organization. This model is expected to provide a more comprehensive understanding of the psychological mechanisms underlying the relationship between organizational strategies and employee retention, particularly in the construction industry in Indonesia.

In addition to contributing to the development of the literature on the relationship between ESG, employer branding, psychological safety, and employee retention, this study is also expected to serve as a foundation for construction companies in designing sustainable human resource management strategies. Based on the research gaps and novelty outlined above, this study aims to answer the following research questions.

1. Does ESG influence employee retention at construction companies in Indonesia?
2. Does employer branding influence employee retention at construction companies in Indonesia?
3. Do ESG and employer branding influence employees' psychological safety?
4. Does psychological safety influence employee retention?
5. Does Psychological Safety mediate the effect of ESG on employee retention?
6. Does Psychological Safety mediate the effect of Employer Branding on employee retention?

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Environmental, Social, and Governance (ESG)

Environmental, Social, and Governance (ESG) is a framework used to assess a company's performance based on environmental, social, and governance aspects as part of sustainable business practices (Friede et al., 2015). In the context of human resource management, the implementation of ESG reflects a company's commitment to employee well-being, social responsibility, and transparent governance, thereby fostering a positive perception of the organization.

Various studies show that the implementation of ESG contributes to increased job satisfaction, organizational commitment, and employee loyalty (Fatemi et al., 2018). Based on Social Identity Theory, employees tend to identify with organizations that have positive values and reputations, making them more motivated to remain part of the organization. Thus, the implementation of ESG is expected to improve employee retention by fostering stronger bonds between employees and the organization.

Employer Branding

Employer branding is defined as a company's planned and ongoing effort to build, communicate, and manage its identity and reputation as an attractive and valuable employer (Backhaus & Tikoo, 2004). This concept adapts the principles of product marketing to the context of human resource management, with the goal of attracting, retaining, and developing top talent.

Strong employer branding creates a comprehensive Employee Value Proposition (EVP), encompassing competitive compensation, a positive work environment, career development opportunities, an inclusive organizational culture, and a healthy work-life balance. Research shows that a strong EVP significantly increases employee commitment and loyalty, thereby reducing turnover intentions and improving retention (Arasanmi & Krishna, 2019).

Psychological Safety

Psychological safety is employees' belief that the work environment provides a sense of security to express opinions, ask questions, share ideas, and admit mistakes without fear of negative consequences (A. Edmondson, 1999b). This condition fosters open communication, mutual trust, and more effective collaboration within an organization.

Various studies have shown that psychological safety plays a crucial role in enhancing learning, innovation, work engagement, and organizational commitment (A. Edmondson, 1999b; Newman et al., 2017). Employees who feel psychologically safe tend to have higher job satisfaction and commitment, making them more motivated to maintain their employment relationship with the organization. Therefore, psychological safety is viewed as one of the mechanisms that explains how organizational practices can improve employee retention.

Hypothesis Development

Based on the theoretical review and previous research findings, this study formulates the following hypotheses.

H1: Environmental, Social, and Governance (ESG) has a positive impact on employee retention.
H2: Employer branding has a positive effect on employee retention.
H3: Environmental, Social, and Governance (ESG) has a positive effect on psychological safety.
H4: Employer branding has a positive effect on psychological safety.
H5: Psychological Safety has a positive effect on employee retention.
H6: Psychological Safety mediates the effect of Environmental, Social, and Governance (ESG) on employee retention.
H7: Psychological Safety mediates the effect of Employer Branding on employee retention.

RESEARCH METHODS

This study employs a quantitative approach with an explanatory research design to analyze the effects of Environmental, Social, and Governance (ESG) factors and employer branding on employee retention, with psychological safety serving as the mediating variable. Data collection was conducted through a cross-sectional survey, which involves collecting data at a single point in time. This design was chosen because it is suitable for testing causal relationships among latent variables, including both direct and indirect effects via a mediating variable.

The research model consists of two exogenous variables—ESG and employer branding—one mediating variable—psychological safety—and one endogenous variable—employee retention. All constructs were measured using a reflective measurement model adapted from previous research.

The study was conducted at a PT Wijaya Karya (Persero) Tbk. project in Subang Regency, West Java. The unit of analysis was project employees directly involved in construction work. The study population consisted of approximately 300 employees, including permanent and contract employees. A sample of 159 respondents was selected using random sampling, ensuring that every member of the population had an equal chance of being selected as a respondent. This sample size met the minimum recommendation for PLS-SEM analysis (Hair et al., 2019).

The research data consists of primary data collected using a questionnaire with a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The research instrument was adapted from previous studies that had met the criteria for validity and reliability. A summary of the research constructs and indicators is presented in Table 1.

Table 1. Measurement of Research Constructs

Variable	Dimension	Number of Item	Source
Environmental, Social, and Governance (ESG)	Environmental, Social, and Governance	9	(Lee et al., 2023)
Employer Branding	Job appeal, corporate reputation, corporate value to employees, career development opportunities	21	(Backhaus & Tikoo, 2004)
Psychological Safety	Open communication, feeling safe to express ideas, tolerance for mistakes	7	(A. Edmondson, 1999a)
Employee Retention	Desire to stay, loyalty, low intention to leave	6	(Hom et al., 2017)

Data analysis was performed using Smart-PLS 4 with the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. Evaluation of the measurement model (outer model) included tests of convergent validity based on outer loadings (>0.70) and Average Variance Extracted (AVE >0.50), discriminant validity using the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT <0.90), as well as reliability testing via Cronbach's Alpha and Composite Reliability (>0.70). Furthermore, the structural model (inner model) was evaluated using the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and Standardized Root Mean Square Residual (SRMR). Hypothesis testing was conducted using a bootstrapping procedure with 159 subsamples to obtain path coefficients, t-statistics, and p-values. The mediating effect of Psychological Safety was analyzed using specific indirect effects, with the hypothesis accepted if the p-value was < 0.05.

RESULTS AND DISCUSSION

The research results are presented based on the stages of Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis, which includes the evaluation of the measurement model (outer model) and the evaluation of the structural model (inner model). The evaluation of the outer model aims to ensure that each construct meets the criteria for validity and reliability, while the evaluation of the inner model is used to assess model fit, predictive power, and the relationships among the study variables.

Measurement Model Evaluation (Outer Model)

The measurement model evaluation was conducted using outer loadings, Average Variance Extracted (AVE), Cronbach's Alpha, and Composite Reliability. In the initial testing, several indicators had outer loadings below 0.70 and were therefore eliminated. After re-estimation, all retained indicators had outer loadings above 0.70, thus meeting the criteria for convergent validity.

Table 2. Results of the Measurement Model Evaluation

Variable	Outer Loading	AVE	Cronbach's Alpha	Composite Reliability	Description
Environmental, Social, and Governance (ESG)	>0,70	0,596	0,887	0,912	Valid dan reliable
Employer Branding	>0,70	0,594	0,947	0,953	Valid dan reliable
Psychological Safety	>0,70	0,705	0,789	0,877	Valid dan reliable
Employee Retention	>0,70	0,749	0,887	0,922	Valid dan reliable

All constructs have an AVE above 0.50, a Cronbach's Alpha above 0.70, and a composite reliability exceeding 0.70. Additionally, the results of the cross-loading test indicate that each indicator has the highest loading value on the construct it measures. Thus, all constructs meet the criteria for convergent validity, discriminant validity, and reliability, making them suitable for use in the structural model testing phase.

Structural Model Evaluation (Inner Model)

Structural model evaluation was conducted to assess model fitness and the ability of exogenous variables to explain endogenous variables.

Table 3. Structural Model Evaluation Results

Parameter	Nilai	Description	Parameter
SRMR	0,062	Fit	SRMR
GoF	0,603	Strong Fit	GoF
Q^2 Psychological Safety	0,433	Predictive relevance	Q^2 Psychological Safety
Q^2 Employee Retention	0,623	Predictive relevance	Q^2 Employee Retention
R^2 Psychological Safety	0,456	Moderate	R^2 Psychological Safety
R^2 Employee Retention	0,657	Substantial	R^2 Employee Retention

An SRMR value of 0.062 indicates that the model has a good level of fit. A GoF value of 0.603 indicates that the model has a strong ability to explain the relationships between variables. Additionally, positive Q^2 values for the Psychological Safety and Employee Retention variables indicate that the model has good predictive power.

The coefficient of determination (R^2) indicates that ESG and Employer Branding account for 45.6% of the variation in Psychological Safety. Meanwhile, ESG, Employer Branding, and Psychological Safety collectively account for 65.7% of the variation in Employee Retention. These results indicate that the model has good explanatory power and is suitable for hypothesis testing.

Hypothesis Testing Results: Direct Effects

Hypothesis testing was conducted using the bootstrapping procedure in Smart-PLS 4. A hypothesis was accepted if its p-value was less than 0.05. The results of the direct and indirect relationship tests are presented in Table 4.

Table 4. Results of the Direct Effect Hypothesis Testing

Hypothesis	Relationship	β	t	p	Decision
H1	ESG → Employee Retention	0,196	1,948	0,026	Accepted
H2	Employer Branding → Employee Retention	0,513	5,492	0,000	Accepted
H3	ESG → Psychological Safety	0,084	1,074	0,142	Rejected
H4	Employer Branding → Psychological Safety	0,591	6,376	0,000	Accepted
H5	Psychological Safety → Employee Retention	0,206	2,724	0,003	Accepted

The results of the hypothesis testing show that ESG and Employer Branding have a positive effect on employee retention, so H1 and H2 are accepted. Of the two variables, Employer Branding has a stronger effect on employee retention than ESG. Furthermore, ESG was not found to have an effect on Psychological Safety, so H3 is rejected. Conversely, employer branding has a positive effect on psychological safety, so H4 is accepted. In addition, psychological safety was also found to have a positive effect on employee retention, indicating that the higher the level of psychological safety employees feel, the more likely they are to remain with the organization. Overall, of the five hypotheses regarding direct effects, only one was not supported by the research data.

Hypothesis Testing Results: Indirect Effects (Mediation)

Following the direct effect tests, the analysis continued with tests of specific indirect effects to evaluate the role of Psychological Safety as a mediating variable in the relationship between ESG and Employer Branding on employee retention. The results of the specific indirect effect tests are presented in Table 5.

Table 5. Results of the Hypothesis Testing for Indirect Effects (Mediation)

Hypothesis	Relationship	β	t	p	Decision
H6	ESG → PS → Retention	0,040	1,673	0,047	Accepted
H7	EB → PS → Retention	0,106	2,270	0,012	Accepted

Based on the results of the indirect effect tests, both mediation hypotheses were supported by the research data. Psychological Safety was found to mediate the effect of ESG on employee retention and to mediate the effect of Employer Branding on employee retention. Thus, increased employee retention is influenced not only directly by ESG and Employer Branding but also through the development of a sense of psychological safety in the workplace.

Effect Size Test (f^2)

In addition to testing the significance of the relationships between variables, this study also evaluated the effect size of each exogenous variable on the endogenous variable using the f^2 value. This test aims to determine the relative contribution of each relationship in the structural model. The results of the effect size test are presented in Table 6.

Table 6. Hasil Uji Effect Size (f^2)

Predictor Variables	Dependent Variable	f^2	Category
ESG	Psychological Safety	0,029	Small

ESG	Employee Retention	0,008	Very Small
Employer Branding	Psychological Safety	0,197	Moderate
Employer Branding	Employee Retention	0,346	Moderate-High
Psychological Safety	Employee Retention	0,067	Small

Employer Branding has the largest effect size on Employee Retention ($f^2 = 0.346$, moderate to large) and on Psychological Safety ($f^2 = 0.197$, moderate). In contrast, ESG has only a very small effect size on both dependent variables, confirming previous findings of statistical significance.

Discussion

The results of the first hypothesis test show that ESG has a positive effect on employee retention, thus supporting H1 with the research data. This finding indicates that the implementation of ESG practices can increase employee loyalty and their desire to remain with the organization. These results are consistent with studies showing that ESG implementation improves employee retention through positive perceptions of the organization's commitment to sustainability and employee well-being (Fatemi et al., 2021; Kolk, 2021). However, the magnitude of ESG's influence in this study is relatively lower compared to research in the European manufacturing sector, which is likely influenced by differences in industry characteristics and the level of ESG implementation in Indonesia's still-developing construction sector (Friede et al., 2015). Furthermore, the relatively small effect size indicates that the influence of ESG on employee retention has not yet become a dominant factor and tends to operate through other mechanisms, such as Psychological Safety. This finding supports Social Exchange Theory, which explains that an organization's commitment to employee well-being will be reciprocated through increased loyalty and a desire to remain part of the organization (Steiner et al., 2020).

The results of the second hypothesis test show that employer branding has a positive effect on employee retention, thus supporting H2 with the research data. This finding indicates that the more positively employees perceive the company as a workplace, the more likely they are to remain with the organization. These findings are consistent with research showing that Employer Branding can increase organizational commitment and reduce employees' intention to leave by fostering a positive image of the company as a workplace (Lievens & Slaughter, 2016). Furthermore, strong employer branding establishes a clearer psychological contract between the organization and its employees, thereby strengthening long-term loyalty (Backhaus & Tikoo, 2004). These findings also support Signaling Theory, which explains that employer branding serves as a positive signal regarding the organization's values and commitment, thereby encouraging employees to remain part of the company (Spence, 1973).

The results of the third hypothesis test show that ESG has no effect on psychological safety; therefore, H3 is not supported by the research data. This finding indicates that the implementation of ESG has not yet been able to foster a direct sense of psychological safety among employees in the workplace. This is likely because Psychological Safety is more influenced by day-to-day interactions—such as leadership quality, communication, and inter-team relationships—than by strategic organizational policies (Newman et al., 2017). Furthermore, the implementation of ESG in Indonesia's construction sector is still in its early stages, so employees have not yet fully experienced its benefits in their daily work activities (Kolk, 2016).

The results of the fourth hypothesis test indicate that Employer Branding has a positive effect on Psychological Safety; thus, H4 is supported by the research data. This finding suggests that a company's image as a workplace that values, supports, and provides opportunities for growth can foster a sense of psychological safety among employees. These findings align with research indicating that strong Employer Branding fosters an organizational culture that is open, based on mutual trust, and promotes positive communication, thereby encouraging the development of Psychological Safety (A. C. Edmondson & Bransby, 2023). These findings indicate that employer branding not only plays a role in attracting and retaining employees but also in creating a work environment that supports psychological well-being. The results also support Conservation of Resources Theory, which explains that organizations capable of providing psychological resources to employees will strengthen their sense of safety and well-being in the workplace (Hobfoll, 1989).

The results of the fifth hypothesis test show that psychological safety has a positive effect on employee retention; thus, H5 is supported by the research data. This finding indicates that employees who feel safe expressing their opinions, engage in discussions, and raise issues in the workplace tend to have a higher commitment to remaining with the organization. These findings are consistent with research showing that Psychological Safety contributes to increasing organizational commitment and reducing employees' intention to leave (A. C. Edmondson & Bransby, 2023). In the context of the construction industry, Psychological Safety is important because it fosters open communication, risk reporting, and more effective teamwork. In addition to having a direct impact on employee retention, these findings also show that Psychological Safety serves as a mechanism linking organizational practices to employees' decisions to stay.

The test results show that psychological safety mediates the relationship between ESG and employee retention, thus supporting H6 with research data. These findings indicate that the impact of ESG on employee retention is not only related to the implementation of sustainability policies but also to the creation of a sense of psychological safety in the workplace. These findings are consistent with research showing that corporate social responsibility practices influence employees' attitudes and behaviors through psychological processes they experience (Chaudhary, 2019). Therefore, the implementation of ESG must be accompanied by management practices that foster Psychological Safety so that its benefits for employee retention can be fully realized.

The test results show that psychological safety mediates the relationship between employer branding and employee retention, thus supporting H7 with research data. These findings indicate that employer branding not only directly increases employee retention but also does so by fostering a sense of psychological safety in the workplace. These findings align with research show that Employer Branding influences employee behavior and decisions by enhancing positive perceptions of the organization and improving the work experience (Lievens & Slaughter, 2016). Compared to ESG, Employer Branding plays a stronger role in fostering Psychological Safety, making it a more effective strategy for improving employee retention. These findings indicate that strengthening Employer Branding not only improves the company's image as a workplace but also creates a work environment that supports employees' psychological well-being.

Theoretically, this study provides empirical evidence that psychological safety serves as a mechanism that explains the relationship between ESG, employer branding, and employee retention. These findings support Social Exchange Theory, which posits that an organization's commitment to its employees is reciprocated through increased loyalty and a desire to remain part of the organization (Jun & Eckardt, 2025). Furthermore, the study's results indicate that employer branding plays a crucial role in fostering psychological safety, particularly within the context of the construction industry in Indonesia.

In practical terms, construction companies need to strengthen their employer branding through career development, competitive compensation systems, and open internal communication. At the same time, ESG initiatives must be implemented in ways that are directly experienced by employees in their daily work, to enhance psychological safety and support employee retention. These efforts can be reinforced through leadership that fosters open communication, employee participation, and a supportive work culture.

This study has several limitations. First, the use of a cross-sectional design does not allow for a dynamic description of the relationships between variables over time. Second, the study was conducted at only one construction company; therefore, the findings are limited to that specific context and cannot yet be generalized to the entire construction industry in Indonesia. Third, the research model only examined the roles of ESG, employer branding, and psychological safety; therefore, it is possible that other variables also influence employee retention. Consequently, future research is recommended to use a longitudinal design, involve a broader range of respondents from various companies or industry sectors, and include additional variables such as leadership style, organizational culture, or job satisfaction to develop a more comprehensive model.

CONCLUSION

This study shows that Environmental, Social, and Governance (ESG) and Employer Branding influence employee retention, albeit with different contributions. Employer Branding was found to have a stronger influence, both directly on employee retention and through the establishment of Psychological Safety. Meanwhile, Psychological Safety plays a crucial role in improving employee retention and serves as a mechanism that explains the relationship between organizational practices and employees' decisions to stay. However, ESG was not found to have a direct effect on Psychological Safety, suggesting that the implementation of sustainability practices has not yet been fully translated into the psychological experience perceived by employees.

The findings of this study confirm that efforts to improve employee retention in the construction industry depend not only on the implementation of sustainability policies, but also on the organization's ability to build a strong employer brand and create a psychologically safe work environment. Therefore, the integration of sustainability practices, human resource management, and the promotion of psychological safety is a critical strategy for retaining employees and supporting organizational sustainability.

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