

IMPLEMENTATION OF CONTRACT EMPLOYEE STATUS TO IMPROVE EMPLOYEE PERFORMANCE

Ja'far Amir^{1*}, Heru Mulyanto², Titing Widyastuti³, Agus Sudigdo⁴, Ratih Jessy Arieswandari⁵
(1),(2),(3),(4), IPWIJA University, Indonesia
(5)Zurich University, Switzerland

**[Email jafar.amir1969@gmail.com](mailto:jafar.amir1969@gmail.com)

*Telp (62)8111080933

ABSTRACT

This study investigates the impact of motivation on employee performance and examines whether employee status moderates this relationship. The research employs a quantitative approach, using surveys and statistical analysis to collect and analyze data from 144 employees. The findings indicate that motivation has a significant and positive effect on employee performance. However, the study also reveals that employee status does not moderate the relationship between motivation and performance. In other words, the level of motivation experienced by employees, regardless of their employment status (contract or permanent), significantly influences their performance. The results suggest that organizations should focus on enhancing employee motivation as a primary strategy to improve overall performance without being influenced by the distinction between contract and permanent employees. Management can change employee status from permanent to contract employee to increase agility and avoid potential cost loss.

Keywords: Contract; Employee status; Employee performance; moderating; Motivation

1. INTRODUCTION

Employee performance was essential to the sustainability of the Company. Besides accounting profits, employee performance affects company performance (Khare et al., 2023). They also emphasize the importance of sustainability in every situation and condition of the company (Silva & Pålsson, 2022). The three pillars of company sustainability are (Hansmann et al., 2012), i.e. Economic, Environment, and Social. Economic, Environmental, and Social. Economic: Aspect for Exploring income, growing economic value and future impacts. Environment: Activities that focus on the sustainability of renewable resources, environmental protection. Social: protecting social health, safety, harmonization, social responsibility, local organisations, policies and regulations.

Enhancing company performance leads and increasing company sustainabilities. Good communication will present a clear discourse that encourages new technologies in optimizing the company's performance, making employees and production conditions visible and integrated (Rossi & Sangster, 2023). Company should consider all impact from managerial decision, in term of social and environment view (Hidayah & Raihan, 2024). Green recruitment of employees is also essential to ensure company sustainability and encourage employees to understand the environment (Barakat et al., 2023). Psychological Capital positively effect to Employee performance (Daswati et al., 2022). Therefore, company management should consider effect of changing regulatory on Human Resources, if any cgingang of employee status as well.

Employee performance is influenced by motivation and many aspects (Gross et al., 2019; Parker & Kulik, 1995). Motivation is the spirit in which people perform their job hard and others do not (Skrzek-Lubasińska & Malik, 2023). Improper leadership oversight can hinder employee motivation and cannot improve employee performance (Cheng et al., 2023). Communication between stakeholders is an essential component within a company regarding motivation (Cori & Purnama, 2019). Emphasis on factors that influence motivation is vital to organizational success (Bińczycki et al., 2023). Highly motivated employees tend to perform well, Always want to establish relationships with colleagues and leaders, behave ethically, and improve self-efficacy (Akaarir et al., 2021).

External factors such as technological advancements can also affect employee performance. This is related to changes in individual and group behaviour as a reaction concern (Jiang et al., 2023). Government regulations related to labour can potentially affect employee performance, causing Human resources Management to be practised (Mahfouz et al., 2021). It is about how to get lean management to increase efficiency and avoid loss of resources (Zaheer et al., 2020). In the last decade, company trend to apply lean management and contract system. The main aim of lean management is to get agile and efficient structure(Alzahrani, 2024).

The effect of contract employee status on employee performance is a complex and diverse topic. Research shows that contract employees, who often do not have the security and benefits of permanent employees, can still show high-performance levels due to their motivation to get permanent jobs in the future (Fantinelli et al., 2023; Irawan et al., 2019). However, the lack of job security and benefits associated with contract status can also lead to lower job satisfaction and productivity among contract workers (Liu & Zhang, 2022). In other studies on certain types of jobs, these contract workers became more competitive and motivated to excel in their roles in their jobs, potentially leading to better performance compared to permanent employees (Kuchits et al., 2019). Ultimately, the relationship between contract status and employee performance is influenced by a variety of factors, including the terms of the specific contract, the level of job security, the understanding of the employment contract as well as the motivation of individual employees (Rousseau, 1989; Samson & Swink, 2023; ZHAO et al., 2007)

However, commonly employees are not adequately informed or engaged with the company policies. It will lead to confusion and potential non-compliance. This lack of adequate policy socialization can result in lower employee understanding and adherence to company guidelines, which in turn can negatively impact employee performance and overall organizational efficiency (Bertram & Brown, 2020). Proper policy socialization involves direct staff feedback loops, workforce development, and the use of technology to support client engagement and collaborative decision-making, as seen in the implementation of telehealth services during the pandemic (Proctor et al., 2022). When policies are not effectively communicated, employees may feel disconnected from the organizational goals, decreasing job satisfaction and productivity (Ripamonti & Galuppo, 2016). Adequate policy socialization ensures employees are aligned with the company's objectives and can contribute to its success.

Usually, companies are worried about replacing permanent employees with contract employees. This study very important to guide management level to understand the potential problem in term of contract employee performance.

2. MATERIAL AND METHODS

This study uses a descriptive quantitative method. A quantitative approach is a way of approaching quantitative data that involves numerical measurements (Mustafa et al., 2020). Descriptive statistics refers to the collection, submission, description, analysis, and interpretation of data collection (Franzese & Iuliano, 2019). The research population in the form of factory employees in Bogor city at all levels/levels amounted to 144 people or with saturated sampling techniques. The data used in this study was obtained from the questionnaire method. In this data collection technique, the researcher makes a list of questions or written statements that are systematically compiled. All Questions collected through an offline survey involve the employees of the ceramic factory in May 2024. Respondent consists of 101 contract employees and 43 permanent employees. Before making a list of questions on the questionnaire, the researcher identifies instruments related to or related to the variables to be studied, namely by describing these variables into several sub-variables to obtain alternative answers. For the contract status variable, category indicators are used, namely permanent employees with the number 1 and contract employee status with the number 2. For the other variables, use a *bipolar adjective* scale of 5, a rating scale from 1 to disagree to 5 to agree on the questionnaire. After one month, 144 responses were received.

Furthermore, the analysis will be done using Smart-PLS software by following all data processing. Validity and reliability testing is carried out before studying the influence between variables.

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3. RESULT AND DISCUSSION,

3.1. Result

3.1.1. Demography of Respondent

Table 1
Employee Status

Employee Statue	Number	%
Permanent Employee	43	29,86
Contract Employee	101	70,14
Total	144	100%

The proportion of respondents' education levels can be seen in the table below:

Table 2
Respondent Education Level

Education Level	Number	%
High School/equivalent	135	93,75
D3	0	0
S1	8	5,55
S2	1	0,7
Total	144	100

Based on the results of questionnaire answers during the employee's working period

Table 3.
Respondents Employment Period

Working Period	Total	%
Less than three years working period	54	37.5
Working period three up to 5 years	14	9.7
More than five years working period	76	52,8
Total	144	100.00

Based on the results of the questionnaire answers in the department/section where the employee works it can be seen in the table below:

Table 4.
Employee Job Section

Section	Number	%
Production	89	61,8
Maintenance/Engineering	22	15,28
Supporting	33	22,92
Jumlah	144	100

Source: Author Data Processing, 2024

3.1.2. Data Analysis

Structural Equation Modelling (SEM) approach was used to analyse all data received. This approach provides more comprehensive evidence about the extent to which the model is supported by data and provides robust estimation for un-normal data and small sample size. The PLS-SEM approach uses Smart-PLS software was to analyse the causal relation between constructs, as it can produce sensible results. However, with few outliers, the data would not be discharged (Ghozali & Latan, 2015). These hypotheses were tested leveraging a two-step approach (i.e., the measurement and structural model (Hair et al., 2019).

3.1.3. Measurement Model assessment: Construct Validity

PLS path model was built leveraging SmartPLS software between Motivation and Employee Performance. All outer loading is acceptable (above 0,4) (Hair et al., 2019). All construct items sufficiently achieved the convergent validity (i.e., Cronbach's Alpha, CR, AVE).

Table 5
Reliability Test

Construct	Item	Outer Loading	Cronbach's alpha	CR (rho_a)	CR (rho_c)	(AVE)
Employee Performance	K1	0.842	0.765	0.810	0.845	0.535
	K2	0.683				
	K3	0.866				
	K4	0.418				
	K5	0.759				
Motivation	M1	0.788	0.842	0.843	0.888	0.612
	M2	0.759				
	M3	0.789				
	M4	0.775				
	M5	0.800				

Furthermore, all discriminant validity is also satisfied, where the Fornell & lacker Criterion, HTMT, and loading values are acceptable, as shown in Tables 6, 7, and 8. Therefore, the construct validity of reflective measurement modelling is valid and reliable.

Table 6
Discriminant Validity Fornell and Larcker Criterion

	K	M	z
Employee Performance(K)	0.731		
Motivation (M)	0.595	0.783	
Employee Statue (z)	0.295	0.346	1.000

Table 7

HTMT

	K	M	z
Motivation (M)	0.733		
Employee Statue (z)	0.338	0.377	
Employee Statue (z)x Motivation	0.584	0.813	0.145

Table 8
Discriminate Validity: Cross Loading

	K	M	z	z x M
K1	0.833	0.462	0.147	0.412
K2	0.691	0.472	0.145	0.452
K3	0.869	0.529	0.343	0.307
K4	0.410	0.252	0.183	0.257
K5	0.761	0.401	0.244	0.408
M1	0.443	0.788	0.232	0.633
M2	0.494	0.765	0.174	0.619
M3	0.486	0.797	0.323	0.525
M4	0.437	0.773	0.273	0.574
M5	0.458	0.789	0.353	0.569

3.1.4. Structural Model Assessment: Hypotheses Testing

The structural model assessment contains the effects and relation between the construct, typically the latent variable. Additionally, this interpretation of coefficient of determination (R^2), effect size (f^2), and PLS prediction are provided. The last bootstrapping approach is used to test the significance of the structural path. The result of the hypothesis test is summarised in Table 9. These three hypotheses involved are the relation between Motivation (M) and Employee Performance (K), Employee Status (z) and Employee Performance (K), and lastly, the moderation role of employee statue (z) in the relationship between Motivation (M) and Employee Performance (K). Based on the results in Table 9, only one hypothesis is supported.

We can see the result of Bootstrapping in Figure 1. For a more straightforward interpretation, different types of lines are given. The thicker line indicates the stronger the relationship value. The dotted line shows the moderating relationship model.

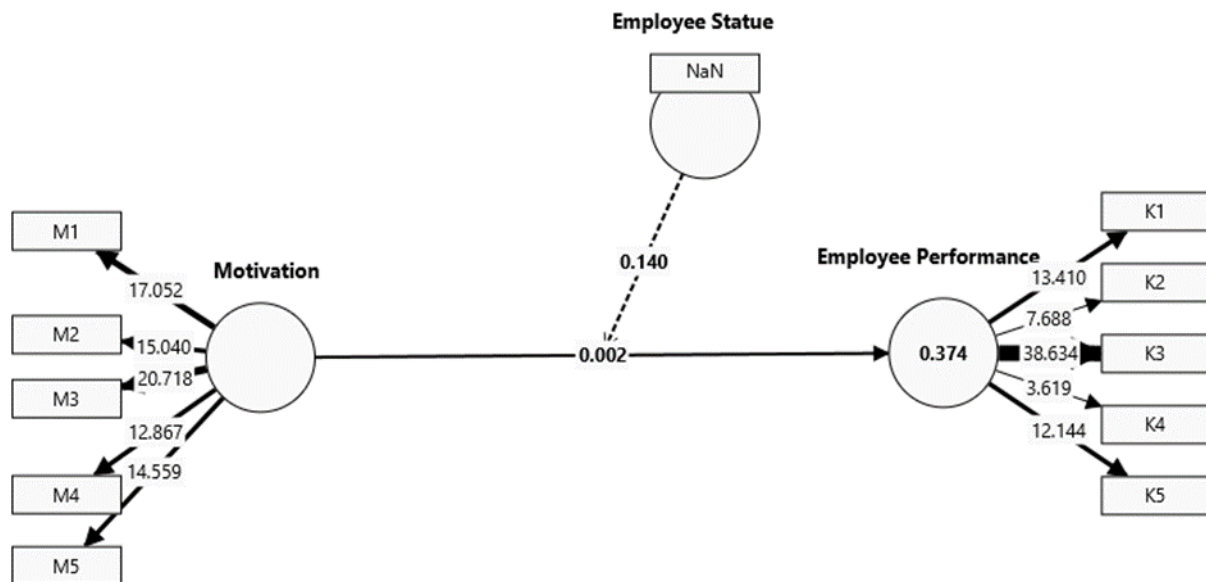


Figure 1: Bootstrapping operation

It was proven that Motivation affects employee performance. Employee status doesn't affect employee performance. Finally, It can be seen that employee status does not moderate the relationship between motivation and employee performance.

Table 9

Summary of Hypothesis Testing

Path	Std Beta	Std Error	T value	P values	Bias	Confidence interval		F2	R2	Keputusan
						5,00%	95,00%			
M -> K	0,433	0,151	2,866	0,002	0,016	0,165	0,663	0,065	0,374	Supported
z -> K	0,273	0,173	1,579	0,057	0,006	0,009	0,572	0,007		Not Supported
z x M -> K	0,225	0,208	1,08	0,14	-0,005	-0,12	0,564			Not Supported

3.1.5. Managerial Implication

For implication managerial, it used the Importance-Performance Map (I.P.M) operation on SmartPLS software. As shown in Figure 2, the most substantial item to reflect construct is Item Number 3 for employee performance and Item 3 for Motivation. It means the company should prioritise maintaining its as shown in Figure 2.

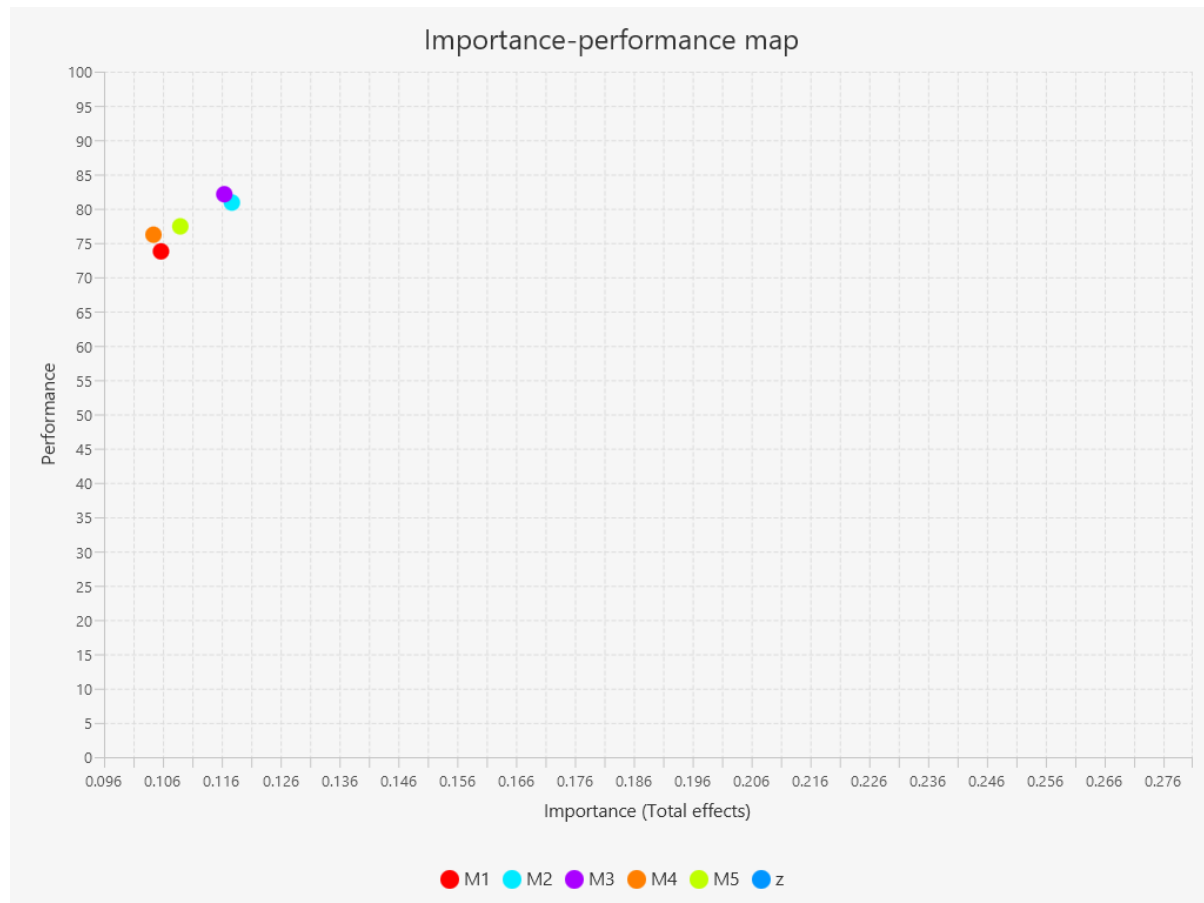


Figure 2: Importance-Performance Map

Figure 2 shown the most importance Item for each Construct. M3 has the highest performance value, 82,118. This item represents the statement: **I am happy as an employee because my social needs are met.**

3.2. Discussion

The first hypothesis stated that Motivation has a significant effect on the performance of factory employees. However, the analysis showed that the t-statistic value was 2.866, with a p-value of 0.002, which is smaller than the significance level of 0.05. Therefore, this hypothesis **is accepted**, with f^2 at 0,065 (and R^2 at 0,374. Effect size (f^2) indicate in low level, It means low level in term of relative impact of Motivation Construct on Employee Performance construct. By the influence criteria of Table 9, it is classified as small with an original sample of 0.433 , which means an influence of 43,3%.

The study found that Motivation has a significant effect on the performance of factory employees, as evidenced by the analysis results.

The Second Hypothesis stated that Employee Status has no significant effect on the performance of employees. However, the analysis showed that the t-statistic value was 2.248, with a p-value of 0.057, which is higher than the significance level of 0.05. Therefore, this hypothesis **is not accepted**, with an f^2 value of 0.007 (table 9). It's indicates a minimal influence

The study found that Employee Status has no significant effect on the performance of employees.

The third hypothesis stated that employee status does not moderate the relationship between motivation and employee performance. The analysis results show that the t-statistic value is 0.761, with a p-value of 0.14, which is more significant than the significance level of 0.05. Therefore, this hypothesis **is rejected**, also based on the f^2 value of 0.007 in Table 4.19 and the criteria of Table 3.4, so it is classified as having no effect, which means that there is no moderation by employee status in the relationship between motivation and performance.

4. CONCLUSION

These findings suggest that Motivation is an essential factor in determining the performance of factory employees and that organizations should focus on strategies to enhance employee motivation to improve overall performance.

These findings suggest that Employee Status is not critical in determining the performance of employees in this context. Employee performance does not depend on the status, whether contract employees or permanent employees. These findings suggest that the relationship between motivation and employee performance is not influenced by the employee's status or position within the organization.

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