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Flexible Working Arrangements, Job Satisfaction, and Employee Performance in Public Sector

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ABSTRACT

Aim: This study examines the effect of Flexible Working Arrangement (FWA) on employee performance with job satisfaction as a mediating variable among civil servants at PUSINTEK, Ministry of Finance of the Republic of Indonesia. **Method:** A quantitative survey design was employed, collecting data from 100 civil servants through structured questionnaires using a five-point Likert scale. The study measured five constructs comprising 30 indicators: FWA, job satisfaction, employee performance, technological support, and bureaucratic work culture. Data were analysed using Structural Equation Modelling–Partial Least Squares (SEM-PLS) via SmartPLS 4 software. **Results:** FWA exerted a significant positive effect on job satisfaction ($\beta = 0.667$, $p < 0.001$) and directly on employee performance ($\beta = 0.323$, $p = 0.010$). Job satisfaction significantly mediated the FWA–performance relationship (partial mediation), while technological support and bureaucratic work culture did not yield significant moderating effects. **Novelty:** This study is among the first to empirically examine FWA in an Indonesian central government institution undergoing digital bureaucratic transformation, establishing job satisfaction as a psychological mediating mechanism and revealing that structural/contextual moderators are less influential than motivational factors in technology-driven public organisations.

1. ITRODUCTION

The global COVID-19 pandemic accelerated an already-emerging shift in how governments organise work. According to the International Labour Organization (2023), the share of employees in OECD countries working remotely at least part of the time rose from 15% in 2019 to over 40% by 2021, and remained above 25% in 2023 even after pandemic restrictions ended. In Indonesia specifically, Presidential Regulation No. 13/2020 and subsequent Ministry of Administrative Reform circular letters formally permitted Flexible Working Arrangement (FWA) for civil servants, enabling flexibility in working hours and location. PUSINTEK—the Centre for Economic and Financial Intelligence under Indonesia's Ministry of Finance—was among the first government units to adopt a structured FWA policy, given its reliance on digital infrastructure and knowledge-intensive work processes.

Despite growing adoption, evidence on FWA effectiveness in the public sector remains contested. Several meta-analyses confirm that flexible work consistently improves job satisfaction and reduces

work–family conflict in private sector contexts (Allen et al., 2015; De Menezes & Kelliher, 2017). However, public sector organisations operate under unique constraints—rigid hierarchical structures, rule-bound accountability requirements, and attendance-based performance cultures—that may moderate or even counteract the benefits of flexibility (Kossek & Lautsch, 2018). Whether FWA translates into improved performance under these conditions, and through which psychological pathways, remains an open empirical question.

Three research gaps motivate this study. First, most FWA research is conducted in private sector or Anglo-American public sector settings; empirical evidence from Southeast Asian government institutions is scarce (Wang et al., 2021). Second, while direct FWA–performance relationships are well-documented, the mediating role of job satisfaction as a psychological mechanism has rarely been tested within a single integrated structural model in the public sector. Third, the moderating role of technological readiness and bureaucratic culture—both central features of Indonesian government organisations—has not been examined in conjunction with FWA. These gaps present both theoretical and practical problems. Theoretically, it is unclear whether Self-Determination Theory's autonomy-satisfaction-performance logic holds in bureaucratically constrained environments. Practically, policymakers implementing FWA in Indonesian ministries lack evidence on whether satisfaction-enhancing mechanisms are sufficient to drive performance, or whether structural enablers (technology, culture) are equally important.

Accordingly, this study addresses the following research questions: (1) Does FWA significantly affect job satisfaction and employee performance among civil servants at PUSINTEK? (2) Does job satisfaction mediate the relationship between FWA and employee performance? (3) Do technological support and bureaucratic work culture moderate FWA's effects? This study offers three novel contributions. It provides the first PLS-SEM-based empirical test of FWA in an Indonesian central government technology unit. It establishes job satisfaction as a mediating mechanism within a single structural model, rather than treating it as an outcome variable. It tests two contextual moderators simultaneously, yielding evidence on their relative importance in a technology-intensive bureaucratic setting.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Flexible Working Arrangement

Flexible Working Arrangement (FWA) refers to organisational policies that grant employees discretion over when, where, and how they work, moving beyond the traditional fixed-office, fixed-hours model (De Menezes & Kelliher, 2017). In Human Resource Management literature, FWA encompasses flexitime, compressed work weeks, remote work, and hybrid arrangements. Theoretically, FWA is grounded in Self-Determination Theory (SDT), which posits that autonomy—the freedom to self-regulate one's actions—is a fundamental psychological need that fuels intrinsic motivation and positive work attitudes (Deci & Ryan, 2001). When FWA provides genuine autonomy, employees experience reduced work-family conflict, lower stress, and higher engagement (Allen et al., 2015; Choudhury et al., 2021). In the context of New Public Management, FWA also signals a shift from presence-based to output-based performance governance, which is especially salient in digitally transformed government institutions (Kossek & Lautsch, 2018).

2.2 Job Satisfaction

Job satisfaction is defined as a positive affective response resulting from the appraisal of one's work experience (Judge et al., 2001). It encompasses multiple facets including task variety, supervisory support, pay equity, and perceived organisational care. In Herzberg's Two-Factor Theory, FWA

functions as both a hygiene factor (by improving working conditions) and a motivator (by granting autonomy and recognition), suggesting that well-designed flexibility can elevate satisfaction along both dimensions. Social Exchange Theory further suggests that employees perceive FWA as an organisational investment in their well-being, reciprocating with heightened loyalty and positive work attitudes (Bakker & Demerouti, 2017). Empirically, job satisfaction is consistently positively associated with motivation, organisational commitment, and reduced turnover intention across sectors (Medina-Garrido et al., 2017).

2.3 Employee Performance

Employee performance refers to the extent to which individuals fulfil their assigned responsibilities efficiently and effectively, contributing to organisational goals (Wang et al., 2021). In modern public management, performance is increasingly evaluated based on outputs and outcomes rather than procedural compliance or physical presence. The ability-motivation-opportunity (AMO) framework (Bakker & Demerouti, 2017) proposes that performance depends on competence (ability), desire to act (motivation), and enabling work conditions (opportunity). FWA addresses all three dimensions: it supports motivation through autonomy, creates opportunity by enabling flexible scheduling, and may indirectly enhance ability by allowing peak-hour work concentration. Bloom et al. (2015) demonstrated in a randomised controlled experiment that remote flexible work increased productivity by approximately 13%, partly because employees self-selected their most productive hours.

2.4 Technological Support

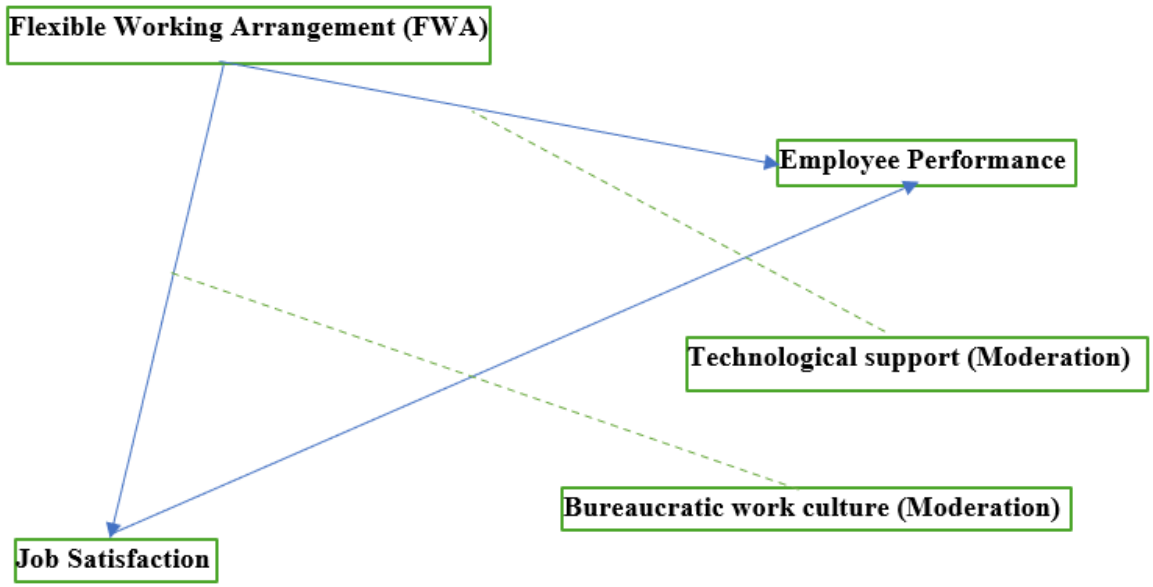
Technological support refers to the availability, quality, and reliability of digital infrastructure and tools that enable employees to perform their tasks remotely (Bentley et al., 2016). Grounded in the Technology Acceptance Model (TAM), the extent to which employees perceive technology as useful and easy to use influences their engagement and performance outcomes. In public sector organisations, adequate technological support is a prerequisite for effective FWA implementation, as remote coordination, digital documentation, and virtual collaboration depend on stable ICT infrastructure. However, Bentley et al. (2016) argue that technology functions primarily as a baseline operating condition—it is necessary but not sufficient for performance improvement. Its moderating role is thus expected to be most visible when technology quality varies significantly across employees.

2.5 Bureaucratic Work Culture

Bureaucratic work culture, drawing on Weber's ideal type, is characterised by formal hierarchical authority, rule-based decision-making, and strict adherence to procedural norms (Hartnell et al., 2011). In government organisations, this culture can impede the benefit of FWA by limiting employee autonomy, maintaining attendance-centred expectations, and creating tension between formal control mechanisms and the flexibility that FWA is designed to provide. Kim and Park (2017) found that strong bureaucratic norms reduce employees' creative problem-solving and sense of autonomy, potentially neutralising the positive psychological effects of flexible work policies. Conversely, in technology-driven units where outcomes are evaluated on task completion rather than procedural compliance, bureaucratic norms may exert less influence on daily work practices.

2.6 Research Framework

Building on the theoretical foundations above, this study proposes a conceptual model in which FWA influences employee performance both directly and indirectly through job satisfaction as a mediating variable. Technological support and bureaucratic work culture are included as potential moderators of key paths. The framework integrates SDT, the AMO model, and Social Exchange Theory to provide a comprehensive account of how flexibility policies operate in a bureaucratically structured public sector institution. Figure 1 presents the research framework.



[Figure 1: Research Framework]

Note. Dashed arrows represent moderation paths; solid arrows represent direct and mediation paths.

2.7 Hypothesis Development

The relationship between FWA and job satisfaction is well-established. Flexible work policies provide employees with greater autonomy, reduce work-family conflict, and signal organisational trust, all of which positively enhance satisfaction (De Menezes & Kelliher, 2017; Gajendran & Harrison, 2017). Based on SDT, employees with greater control over their work schedules and environments are more likely to satisfy their autonomy needs, leading to higher intrinsic motivation and satisfaction. Therefore:

H1: Flexible Working Arrangement has a positive effect on employee job satisfaction.

FWA can also directly enhance performance by allowing employees to work during peak productivity hours, reduce commuting-related fatigue, and optimise task management (Bloom et al., 2015; Choudhury et al., 2021). Allen et al. (2015) demonstrated that remote and flexible work policies are associated with lower absenteeism and higher task completion rates. Accordingly:

H2: Flexible Working Arrangement has a positive effect on employee performance.

A robust body of literature links job satisfaction to improved performance. Judge et al. (2001) conducted a comprehensive meta-analysis and found a corrected correlation of $\rho = 0.30$ between satisfaction and performance, one of the highest such relationships documented in organisational behaviour. Satisfied employees exhibit higher organisational commitment, motivation, and productivity (Bakotć, 2016). Therefore:

H3: Job satisfaction has a positive effect on employee performance.

Drawing on Social Exchange Theory, FWA does not solely operate through direct mechanisms; it first shapes employees' psychological states (satisfaction), which in turn drive behavioural outcomes (performance). If both the direct (H2) and indirect (H1 + H3) paths are significant, partial mediation is indicated. Based on this logic:

H4: Job satisfaction mediates the effect of Flexible Working Arrangement on employee performance.

Where technological infrastructure is well-developed and uniformly accessible, technology should amplify the productivity benefits of flexible work. Conversely, poor technology access creates friction that attenuates FWA's effectiveness (Wang et al., 2021). Therefore:

H5: Technological support positively moderates the relationship between FWA and employee performance.

Strong bureaucratic culture may suppress the autonomy-enhancing effects of FWA by reinforcing attendance norms and hierarchical oversight, thereby reducing employees' perceived flexibility and dampening satisfaction (Kim & Park, 2017). Therefore:

H6: Bureaucratic work culture negatively moderates the relationship between FWA and job satisfaction.

3. RESEARCH METHOD

This study employs a descriptive quantitative approach with a cross-sectional survey design. The research was conducted at PUSINTEK (Pusat Intelijen Ekonomi dan Keuangan), the Centre for Economic and Financial Intelligence, Ministry of Finance of the Republic of Indonesia, Jakarta, a technology-based government unit that formally adopted FWA policy following the pandemic-era administrative reforms. The target population comprised all civil servants at PUSINTEK who had been subject to FWA policy for at least one year, totalling approximately 130 employees. A census-based purposive sampling technique was applied, excluding only employees with tenure of less than 12 months and those on extended leave, yielding a final usable sample of 100 respondents (response rate: 76.9%). This sample size is consistent with the minimum recommendation of 10 times the maximum number of formative paths leading to any latent variable in PLS-SEM (Hair et al., 2019). Data were collected through a structured self-administered questionnaire comprising 30 Likert-scale items (1 = strongly disagree to 5 = strongly agree) across five constructs: FWA (Q02–Q06, 5 items), Job Satisfaction (Q07–Q12, 6 items), Employee Performance (Q13–Q18, 6 items), Technological Support (Q19–Q24, 6 items), and Bureaucratic Work Culture (Q25–Q29, 5 items). Questionnaires were distributed electronically via the official PUSINTEK internal communication platform over a four-week period. Data analysis was conducted using Variance-Based Structural Equation Modelling via SmartPLS 4 software. The analytical process followed two stages: (1) measurement model evaluation (convergent validity via factor loadings and AVE, internal consistency reliability via Composite Reliability and Cronbach's Alpha, and discriminant validity via Cross Loadings, Fornell–Larcker criterion, and HTMT ratio); and (2) structural model evaluation (goodness-of-fit via SRMR, R-square, effect size f^2, predictive relevance Q^2, and hypothesis testing via bootstrapping with 5,000 resamples at 5% significance level). Moderation analysis employed the product indicator approach for interaction terms.

4. RESULTS

4.1 Respondent Profile

Data were collected from 100 civil servants at PUSINTEK. As presented in Table 1, the majority of respondents were male (68%). The dominant age group was 31–39 years (45%), followed by 40–49 years (35%), reflecting a workforce in mid-career stages with established organisational experience. Most respondents held a Bachelor's degree (70%), and 25% possessed a Master's degree, indicating a well-educated sample capable of engaging with technology-intensive flexible work arrangements. Sixty percent held functional specialist positions, while 40% were in structural or managerial roles. The majority had served for more than six years (75%), suggesting strong organisational familiarity with both formal bureaucratic procedures and evolving work policies.

Table 1. *Demographic Profile of Respondents*

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	68	68%
	Female	32	32%
Age	< 30 years / ≥ 50 years	20	20%
	31–39 years	45	45%
	40–49 years	35	35%
Education Level	Senior High School / Diploma	5	5%
	Bachelor's Degree (S1)	70	70%
	Master's Degree (S2)	25	25%
Position	Functional Position	60	60%
	Structural / Managerial	40	40%
Length of Service	< 3 years	5	5%
	3–6 years	20	20%
	> 6 years	75	75%

Note. n = 100. FWA = Flexible Working Arrangement; PUSINTEK = Centre for Economic and Financial Intelligence.

4.2 Convergent Validity

Convergent validity was assessed through factor loadings and Average Variance Extracted (AVE). Table 2 presents the outer loadings for all indicators. All factor loadings exceeded the recommended threshold of 0.60, with the majority above 0.70 (Hair et al., 2019). The highest loading was Q11 (Employee Performance, $\lambda = 0.900$) and the lowest acceptable loading was Q03 (FWA, $\lambda = 0.624$). These results indicate that each indicator adequately reflects its respective construct.

Table 3 presents AVE values for all constructs. All five constructs exceeded the threshold of AVE > 0.50 (Fornell & Larcker, 1981), ranging from 0.547 (FWA) to 0.688 (Employee Performance), confirming that each construct accounts for more than half the variance in its indicators and establishing adequate convergent validity.

Table 2 *Outer Loadings (Factor Loadings) for All Indicators*

Indicator	FWA	Job Satisfaction	Employee Performance	Technological Support	Bureaucratic Culture	FWA × BWC	FWA × TS
Q02	0.647						
Q03	0.624						
Q04	0.751						

Q05	0.808						
Q06	0.844						
Q07		0.766					
Q08		0.800					
Q09		0.807					
Q10		0.876					
Q11		0.900					
Q12		0.818					
Q13			0.671				
Q14			0.748				
Q15			0.830				
Q16			0.761				
Q17			0.836				
Q19				0.667			
Q20				0.844			
Q21				0.756			
Q22				0.679			
Q23				0.843			
Q24				0.756			
Q25					0.848		
Q26					0.855		
Q28					0.830		
Q29					0.701		
FWA × BWC						1.000	
FWA × TS							1.000

Note. FWA = Flexible Working Arrangement; JS = Job Satisfaction; EP = Employee Performance; TS = Technological Support; BWC = Bureaucratic Work Culture. Values below 0.60 were removed from the model.

Base on table 2 The outer loadings table presents the correlation between indicators and their respective latent constructs. Ideally, factor loadings should exceed 0.70, although values between 0.60 and 0.70 are acceptable in exploratory research. The results show that most indicators meet the recommended threshold, indicating good indicator reliability. Indicators such as Q02 (0.647) and Q03 (0.624) are still acceptable as they exceed the minimum threshold of 0.60. Additionally, no problematic cross-loadings are observed, confirming that each indicator appropriately represents its construct. Thus, convergent validity at the indicator level is established.

Table 3. *Average Variance Extracted (AVE) for Convergent Validity*

Construct	AVE	Threshold	Result
Flexible Working Arrangement	0.547	> 0.50	Valid
Job Satisfaction	0.595	> 0.50	Valid
Employee Performance	0.688	> 0.50	Valid
Technological Support	0.579	> 0.50	Valid
Bureaucratic Work Culture	0.658	> 0.50	Valid

Note. Threshold: AVE > 0.50 (Fornell & Larcker, 1981).

Table 3. Average Variance Extracted (AVE) show The AVE values indicate the extent to which a construct explains the variance of its indicators. All constructs have AVE values above 0.50, meaning that more than 50% of the variance is captured by the construct. This confirms that all constructs meet the criteria for convergent validity according to Fornell and Larcker (1981).

4.3 Reliability

Internal consistency reliability was assessed using Composite Reliability (rho_a and rho_c) and Cronbach's Alpha. As shown in Table 4, all constructs surpassed the minimum threshold of 0.70 for both metrics. Cronbach's Alpha values ranged from 0.791 (FWA) to 0.909 (Employee Performance). Composite Reliability values (rho_c) ranged from 0.856 to 0.929, all comfortably exceeding the 0.70 standard. These results confirm strong internal consistency for all measurement instruments.

Table 4. *Composite Reliability and Cronbach's Alpha*

Construct	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	Result
Flexible Working Arrangement	0.791	0.813	0.856	Reliable
Job Satisfaction	0.829	0.833	0.880	Reliable
Employee Performance	0.909	0.917	0.929	Reliable
Technological Support	0.854	0.878	0.891	Reliable
Bureaucratic Work Culture	0.826	0.856	0.884	Reliable

Note. CR = Composite Reliability; Threshold: Cronbach's Alpha > 0.70, CR > 0.70 (Hair et al., 2019).

Table 4. Reliability shows The reliability analysis shows that all Cronbach's Alpha and Composite Reliability values exceed the recommended threshold of 0.70. This indicates strong internal consistency among the indicators. Employee Performance demonstrates the highest reliability, while Flexible Working Arrangement shows the lowest, yet still acceptable. Therefore, all constructs are considered reliable.

4.4 Discriminant Validity

Discriminant validity was examined using three criteria. First, the Cross Loading criterion (Table 5) confirmed that each indicator loaded highest on its intended construct and not on others, supporting indicator distinctiveness. Second, the Fornell–Larcker criterion (Table 6) was satisfied: the square root of each construct's AVE (shown on the diagonal) exceeded its correlations with all other constructs. Third, the Heterotrait–Monotrait (HTMT) ratio (Table 7) showed all inter-construct values below 0.90 (the maximum threshold), with most below 0.85, confirming that the five constructs are empirically distinct from one another.

Table 5. *Cross Loadings for Discriminant Validity (Selected Items)*

Item	FWA	Job Satisfaction	Employee Performance	Tech. Support	Bureau. Culture	Highest?
Q02	0.647	0.482	0.401	0.371	0.215	FWA ✓
Q05	0.808	0.554	0.497	0.446	0.198	FWA ✓
Q08	0.453	0.800	0.581	0.512	0.203	JS ✓
Q11	0.478	0.559	0.900	0.534	0.189	EP ✓
Q20	0.391	0.426	0.472	0.844	0.187	TS ✓
Q26	0.199	0.218	0.193	0.206	0.855	BWC ✓

Note. Only representative items shown for brevity. Each indicator loads highest on its intended construct (rightmost column).

Table 5. Cross Loadings shows The cross-loading results demonstrate that each indicator loads highest on its intended construct compared to others. This confirms that indicators are distinct and properly measure their respective constructs, supporting discriminant validity.

Table 6 *Fornell–Larcker Criterion Matrix*

Construct	FWA	Job Sat.	Employee Perf.	Tech. Sup.	Bureau. Cult.
FWA	0.740				
Job Satisfaction	0.667	0.771			
Employee Performance	0.596	0.625	0.830		
Technological Support	0.621	0.644	0.573	0.761	
Bureaucratic Culture	0.159	0.178	0.092	0.098	0.811

Note. Diagonal values represent the square root of AVE. Off-diagonal values are inter-construct correlations. Discriminant validity is established when diagonal values exceed off-diagonal values in each row and column.

Table 6. shows The Fornell–Larcker results show that the square root of AVE for each construct is greater than its correlations with other constructs. This indicates that each construct is empirically distinct and satisfies discriminant validity requirements.

Table 7 *Heterotrait–Monotrait (HTMT) Ratio Matrix*

Construct	FWA	Job Sat.	Employee Perf.	Tech. Sup.	Bureau. Cult.
FWA					
Job Satisfaction	0.818				
Employee Performance	0.785	0.796			
Technological Support	0.765	0.813	0.721		
Bureaucratic Culture	0.195	0.211	0.108	0.125	

Note. Threshold: HTMT < 0.90 (conservative: < 0.85). All values satisfy discriminant validity criteria.

Table 7 All HTMT values are below the threshold of 0.90, with most below 0.85, indicating no issues with discriminant validity. This confirms that constructs are not excessively correlated.

4.5 Inner Model Evaluation

The inner model was evaluated through four criteria, as presented in Table 8. The Standardised Root Mean Square Residual (SRMR) was 0.062, below the recommended threshold of 0.08, indicating an acceptable model fit (Henseler et al., 2015). R-square values were 0.463 for Job Satisfaction (moderate) and 0.605 for Employee Performance (moderate–strong), indicating that the model explains 46.3% and 60.5% of variance in these constructs, respectively. Effect size (f^2) values, shown in Table 9, indicated a large effect for the FWA–Job Satisfaction path ($f^2 = 0.802$) and medium effects for FWA–Employee Performance ($f^2 = 0.144$) and Job Satisfaction–Employee Performance ($f^2 = 0.168$). Predictive relevance (Q^2), assessed via blindfolding, was 0.262 for Job Satisfaction and 0.390 for Employee Performance, both exceeding the threshold of zero, confirming adequate predictive power.

Table 8. *Goodness-of-Fit, R-Square, and Predictive Relevance*

Endogenous Variable	R^2	Q^2 (Predictive)	Category
Job Satisfaction	0.463	0.262	Moderate
Employee Performance	0.605	0.390	Moderate–Strong

Note. R^2 categories: 0.25 = weak, 0.50 = moderate, 0.75 = strong (Hair et al., 2019). $Q^2 > 0$ indicates predictive relevance. SRMR = 0.062 (< 0.08, acceptable fit).

Table 8. shows The SRMR value of 0.062 indicates a good model fit. The R^2 values suggest that the model explains 46.3% of Job Satisfaction (moderate) and 60.5% of Employee Performance (moderate to strong). Q^2 values above zero confirm the model's predictive relevance.

Table 9. *Effect Size (f^2) for Structural Paths*

Path	f^2	Threshold	Category
FWA → Job Satisfaction	0.802	> 0.35 Large	Large
FWA → Employee Performance	0.144	0.15–0.35 Medium	Medium
Job Satisfaction → Employee Performance	0.168	0.15–0.35 Medium	Medium

Note. f^2 thresholds: 0.02 = small, 0.15 = medium, 0.35 = large (Cohen, 1988).

Table 9. shows The effect size results indicate that FWA has a large effect on Job Satisfaction. Meanwhile, FWA and Job Satisfaction have moderate effects on Employee Performance, suggesting other contributing factors exist.

4.6 Hypothesis Testing

Hypothesis testing was conducted using bootstrapping with 5,000 resamples. Results for all six hypotheses—including direct effects (H1–H3), mediation (H4), and moderation (H5–H6)—are consolidated in Table 10.

H1 was supported: FWA exerted a strong positive effect on job satisfaction ($\beta = 0.667$, $t = 9.437$, $p < 0.001$). H2 was supported: FWA positively influenced employee performance ($\beta = 0.323$, $t = 2.579$, $p = 0.010$). H3 was also supported: job satisfaction significantly predicted employee performance ($\beta = 0.349$, $t = 2.900$, $p = 0.004$). For H4, the indirect effect of FWA on performance through job satisfaction was significant ($\beta = 0.233$, $p = 0.001$), and the direct effect (H2) remained significant, indicating partial mediation. H5 and H6 were not supported: neither technological support ($\beta = 0.012$, $p = 0.775$) nor bureaucratic work culture ($\beta = -0.026$, $p = 0.802$) produced significant moderating effects.

Table 10. *Summary of Hypothesis Testing Results*

H	Relationship	β	t-Stat.	p-value	Decision
H1	FWA → Job Satisfaction	0.667	9.437	0.000	Supported
H2	FWA → Employee Performance	0.323	2.579	0.010	Supported
H3	Job Satisfaction → Employee Performance	0.349	2.900	0.004	Supported
H4	FWA → Job Satisfaction → Employee Performance (Indirect)	0.233	3.412	0.001	Partial Mediation
H5	FWA × Tech. Support → Employee Performance	0.012	0.286	0.775	Not Supported
H6	FWA × Bureau. Culture → Job Satisfaction	-0.026	0.251	0.802	Not Supported

Note. Bootstrapping with 5,000 resamples. Significance threshold: $p < 0.05$. H4 tested as indirect effect via mediation analysis.

5. DISCUSSION

The findings of this study demonstrate that Flexible Working Arrangement exerts a significant and substantively large positive effect on job satisfaction ($\beta = 0.667$, $p < 0.001$, Table 10), which is among

the strongest direct effects documented in FWA research. This result aligns with De Menezes and Kelliher (2017), whose systematic review of private sector studies found consistent positive associations between flexibility policies and employee satisfaction, primarily through the mechanisms of perceived organisational support and increased autonomy. The present study extends this evidence base to an Indonesian government setting, suggesting that public sector employees respond to FWA in similar motivational ways as their private sector counterparts. Gajendran and Harrison (2017) similarly concluded in a meta-analysis of telecommuting studies that flexible work practices strengthen positive job attitudes by affording employees greater control over their working environment. The fact that the PUSINTEK context involves technology-intensive, knowledge-based work likely amplifies this effect, as employees in such roles derive greater intrinsic satisfaction from uninterrupted, self-directed work periods enabled by flexibility.

Beyond job satisfaction, the finding that FWA also directly enhances employee performance ($\beta = 0.323$, $p = 0.010$, Table 10) is consistent with experimental evidence by Bloom et al. (2015), who documented a 13% productivity gain in a randomised field experiment on home-based flexible work. Choudhury et al. (2021) further demonstrated that geographic work flexibility in knowledge-intensive roles was associated with significant improvements in performance outcomes. In the PUSINTEK context, this direct effect may be partly explained by the reduction in unproductive commuting time and the ability to schedule demanding analytical tasks during peak cognitive performance windows. Parker et al. (2019) argue that flexible arrangements allow knowledge workers to optimise their cognitive resources, which is particularly relevant in intelligence and financial analysis roles. However, consistent with Allen et al. (2015)'s observation that FWA effects are contingent on management practices, the moderate effect size ($f^2 = 0.144$) suggests that flexibility alone is not a comprehensive performance driver, and that organisational enablers remain important.

The partial mediation finding (H4 supported; indirect $\beta = 0.233$, $p = 0.001$, Table 10) is a central contribution of this study. It demonstrates that FWA improves performance both directly and through the psychological pathway of job satisfaction. This is consistent with Judge et al. (2001)'s meta-analytic finding that the satisfaction–performance relationship ($\rho = 0.30$) is mediated by motivation and commitment. Bakotć (2016) further confirmed that satisfied employees demonstrate higher productivity across diverse organisational types. The psychological mechanism identified here—FWA enhancing satisfaction, which in turn drives performance—is grounded in SDT's proposition that autonomy-satisfying conditions generate intrinsic motivation that sustains high-quality performance. The fact that partial rather than full mediation was found implies that FWA also carries direct operational benefits beyond its psychological effects, such as time efficiency and reduced environmental distractions.

The non-significant moderating effects of technological support (H5 rejected; $\beta = 0.012$, $p = 0.775$) and bureaucratic work culture (H6 rejected; $\beta = -0.026$, $p = 0.802$), as shown in Table 10, warrant careful interpretation. Regarding technology, PUSINTEK as an IT-based government unit likely maintains uniform and sufficiently advanced digital infrastructure for all employees, effectively removing inter-employee variance in technological support. Bentley et al. (2016) explicitly noted that technology functions as a baseline operating condition rather than a differential performance enhancer once a minimum threshold of adequacy is met. The absence of a moderating effect may therefore indicate that the organisation has surpassed this threshold, making technology ubiquitous rather than variable. Regarding bureaucratic culture, the non-significant finding may reflect a context-specific attenuation of bureaucratic norms: PUSINTEK's work is evaluated on analytical outputs and deliverables rather than procedural compliance, potentially decoupling cultural rigidity from daily performance experience. Hartnell et al. (2011) found that organisational culture effects on performance are strongest in task-ambiguous contexts; in technically defined roles with clear output metrics, cultural norms may yield less influence.

Taken together, these findings suggest that in technology-driven public sector organisations, the primary mechanism through which FWA improves performance is psychological and motivational rather than structural or contextual. The model's explanatory power ($R^2 = 0.605$ for employee performance) indicates a well-specified theoretical framework, yet the residual variance suggests that additional variables—such as leadership style, intrinsic work motivation, or work design characteristics—merit inclusion in future research. Kossek and Lautsch (2018) argue that FWA benefits accrue differentially across occupational groups; extending this study's sample to multiple government institutions with varied digital maturity levels would test the boundary conditions of the present findings.

6. CONCLUSION

This study set out to examine how Flexible Working Arrangement affects employee performance in a central government institution, and through which psychological mechanisms this effect operates. The findings provide robust empirical support for the core argument: FWA positively influences both job satisfaction and employee performance, and job satisfaction partially mediates the FWA–performance relationship. These results confirm Hypotheses H1 through H4 and are consistent with prevailing international evidence that flexible work policies generate psychological benefits—particularly enhanced autonomy and reduced work-family conflict—that translate into measurable performance gains (Allen et al., 2015; De Menezes & Kelliher, 2017). The study therefore extends this evidence to the Indonesian public sector, where empirical studies of this kind are sparse.

Conversely, the hypothesised moderating roles of technological support (H5) and bureaucratic work culture (H6) were not empirically supported. Unlike Wang et al. (2021), who found that technology quality moderated remote work effectiveness during the COVID-19 period, the uniform digital infrastructure at PUSINTEK appears to have prevented technology from differentiating employee outcomes. Similarly, contrary to Kim and Park (2017)'s findings in less technical public organisations, bureaucratic cultural norms did not significantly moderate FWA's effects, suggesting that in output-evaluated, knowledge-intensive government units, cultural constraints on autonomy are less binding. These null findings are theoretically informative: they imply that the conditions under which structural moderators influence FWA outcomes are more specific than previously assumed, and are contingent on the level of digital maturity and performance culture within an organisation.

From a managerial standpoint, the findings recommend that public sector leaders prioritise the psychological quality of FWA implementation over structural features alone. Since job satisfaction serves as the primary psychological mediator, policies should be complemented by management practices that enhance satisfaction—including supportive supervision, clear performance expectations, and meaningful employee recognition. Policymakers at Indonesia's Ministry of Finance and other government agencies contemplating FWA roll-out should design evaluation frameworks based on output metrics rather than attendance-based indicators, to maximise the performance dividends of flexibility.

Several limitations qualify these conclusions. The study relies on a single government unit, which limits generalisability across different organisational contexts and levels of digital readiness. The cross-sectional design does not permit causal inference or capture how FWA effects evolve over time. Future studies should employ longitudinal designs to track whether sustained FWA exposure amplifies or diminishes performance effects. Multi-institution comparative studies would help identify organisational boundary conditions. Including additional psychological variables—such as work engagement, intrinsic motivation, and perceived fairness—could enhance explanatory power and provide a more complete account of the mechanisms through which FWA shapes performance in the public sector.

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