

CHAPTER I

INTRODUCTION

1.1 Background of The Problem

Employee performance plays a crucial role in determining the success of any organization. In today's rapidly evolving human resource management landscape, performance is no longer seen simply as the result of task completion; rather, it is recognized as a comprehensive reflection of employee engagement, satisfaction, and overall well-being. Performance can be understood as the outcomes both in terms of quality and quantity that an employee delivers while fulfilling their job responsibilities (Lestary & Harmon, 2018). High performance indicates that employees not only meet organizational expectations but also contribute meaningfully toward achieving the company's strategic goals. As the researchers Lestary & Harmon, 2018 highlight, employee performance encapsulates the outcomes produced by individuals, while (Pawar, 2019) underscores that it is traditionally assessed through two main criteria: the volume and quality of work performed, alongside the behaviours exhibited by employees.

In modern organizations, improving employee performance goes beyond technical elements such as skills or managerial processes. It also hinges on psychological and social factors that influence an employee's well-being. One such significant factor is work-life balance, the equilibrium between work demands and personal responsibilities. As work becomes more demanding requiring greater flexibility, extended hours, and intense emotional commitment maintaining a

balance between work and personal life has become increasingly essential. Khansa Nadhilah et al., (2024) assert that, in the contemporary work environment, the relevance of work-life balance has intensified, as employees are often required to manage complex tasks and adhere to demanding schedules while maintaining personal obligations.

Work-life balance is typically assessed across three primary areas: the degree to which work interferes with personal life, the impact of personal life on work, and the improvement of both domains through mutual enhancement (Attar et al., 2021). When employees effectively manage these aspects, they experience reduced stress levels, increased motivation, and a greater sense of autonomy, all of which ultimately contribute to better performance. Gultom & Liyas, (2023) define work-life balance as the ability to allocate one's time efficiently between work and personal commitments, allowing individuals to fulfil multiple roles whether professional, familial, or social without compromising their well-being.

Job satisfaction is another critical factor influencing employee performance. It refers to an individual's overall assessment of their job, which is shaped by various factors such as work conditions, relationships with supervisors and colleagues, rewards, and the alignment of the job with personal values or expectations (Popoola & Fagbola, 2023). Other than that, (Fadare et al., 2023) further describe job satisfaction as the extent to which an employee's work environment meets their personal standards and expectations.

Fostering job satisfaction yields substantial benefits for organizations, including enhanced employee retention, reduced absenteeism, and improved organizational citizenship behaviours. Satisfied employees tend to be more proactive, collaborate effectively with colleagues, and seek innovative solutions to problems. This is especially critical in high-risk, labor intensive industries, such as mining, where employee engagement and satisfaction are key to maintaining safety standards and optimizing productivity.

The interplay between work-life balance, job satisfaction, and employee performance is multifaceted and crucial for understanding modern workplace dynamics, particularly in organizations with diverse workforces. PT Freeport Indonesia (PTFI), a prominent mining company based in Mimika, Papua, serves as an ideal case for exploring these relationships. With a workforce exceeding 30,000 employees from a wide array of cultural, regional, and international backgrounds, PTFI operates in a complex and multicultural environment that offers both challenges and opportunities. Understanding how the diverse backgrounds of employees shape their perceptions of work-life balance and how companies can design inclusive policies to meet these needs is critical.

One unique aspect of PTFI's operations is its geographic isolation. Located in a remote region of Timika, Papua, some of PTFI's sites such as Tembagapura and Kuala Kencana are far removed from major urban centers. This physical distance can make it difficult for employees to maintain regular contact with their families or access certain amenities, which may contribute to feelings of isolation or disconnect from broader social networks. These conditions further emphasize the

need for organizations like PTFI to adopt strong support systems that address not just the physical but also the emotional and psychological needs of their workforce.

Therefore, PTFI has long recognized the importance of employee well-being, integrating it into its corporate strategy. The company has implemented a wide range of initiatives aimed at enhancing employee welfare, including educational scholarships for more than 12,000 students, community development programs for local farmers and entrepreneurs, and a comprehensive healthcare system, which handles over 100,000 hospital visits annually (PTFI, 2024). These efforts demonstrate PTFI's commitment to prioritizing employee well-being as a core element of its long-term vision for growth and sustainability.

Moreover, PTFI's significant investment in social programs, amounting to approximately US\$100 million annually until 2041, reflects a strong commitment to sustainable human capital development (PTFI, 2024). This not only provides material benefits to employees but also fosters a corporate culture that values diversity, promotes career development, and supports work-life balance. Such initiatives are especially vital for employees working in remote and demanding environments, where maintaining employee well-being is essential for sustaining high levels of performance.

Given the growing complexity of the relationships between work-life balance, job satisfaction, and employee performance, it is important to explore these dynamics in greater depth, particularly in large, diverse, and operationally complex organizations like PT Freeport Indonesia. An integrated approach, which takes both

psychological and structural factors into account, is essential for sustaining productivity and driving organizational growth. This research aims to provide deeper insights into these relationships, offering both theoretical contributions to the field of human resource management and practical recommendations for PT Freeport Indonesia. The findings are expected to support the development of more adaptive and effective strategic policies that prioritize employee well-being while fostering long-term organizational success.

1.2 Problem Formulation

Based on the background that has been described, there are several problems that need to be studied further to understand the relationship between work life balance, job satisfaction, and employee performance at PT Freeport Indonesia. Therefore, the problem formulation in this study is as follows:

1. Does work life balance affect employee performance at PT Freeport Indonesia?
2. Does work life balance affect employee job satisfaction at PT Freeport Indonesia?
3. Does job satisfaction affect employee performance at PT Freeport Indonesia?
4. Does job satisfaction mediate the relationship between work life balance and employee performance at PT Freeport Indonesia?

1.3 Scope of Problem

In order for this research to remain focused on the problems discussed and not deviate from the main problem and the initial objectives to be achieved, the researcher provides several problem limitations as follows:

1. Employee performance is defined as the degree to which employees achieve organizational goals by fulfilling job responsibilities efficiently and effectively, which includes productivity, quality, timeliness, cooperation with coworkers, and adherence to organizational norms (Aisyah et al., 2023)
2. Work life balance is the individual's ability to meet both work and family commitment, as well as other non-work responsibilities and activities, without being overwhelmed by work demands or personal life pressures (Borgia et al., 2022)
3. Job satisfaction is typically defined as a cognitive–affective construct representing a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences (Zacher & Baumeister, 2025)

1.4 Research Purposes

This study aims to gain a deeper understanding of the influence of work life balance and job satisfaction on employee performance. Specially, the objectives to be achieved in this study are as follow:

1. Analyse the relationship between work life balance and employee performance at PT Freeport Indonesia.
2. Examine the relationship between work life balance and employee job satisfaction.
3. Examine the role of job satisfaction as a mediator between work life balance and employee performance.
4. Provide recommendations for strategies that can be implemented by companies to improve employee work life balance in order to optimize productivity.

1.5 Benefits of Research

This research is expected to provide the following benefits:

1. For the Company PT Freeport Indonesia:

Providing an overview and evaluation of the influence of work life balance and job satisfaction on employee performance, which can be used as a basis for formulating strategic policies to improve employee productivity and welfare.

2. For Human Resource Management:

Providing useful information for managers or HR practitioners in managing employee work life balance and increasing job satisfaction to support optimal performance.

3. For Academics and Researchers:

Adding references and scientific insights related to the relationship between work life balance, job satisfaction, and

employee performance, and becoming a basis for further research in the field of human resource management.

4. For the Author Herself:

As a means to apply the knowledge gained during lectures in the form of scientific research, as well as part of fulfilling the final assignment to obtain a Bachelor's degree.

1.6 Writing Systematics

The writing systematics used in this study consist of 5 chapters which are divided into several sub-chapters. This is done so that the discussion and problems in this study are easier for readers to understand. The explanation of the writing systematics will be divided into 5 chapters, namely:

CHAPTER I: INTRODUCTION

This chapter contains an explanation of the background, problem formulation, research objectives, research benefits and writing systematics that will be studied.

CHAPTER II: LITERATURE REVIEW

This chapter explains the theories that are the basis for the variables to be studied, including leadership style and organizational commitment.

CHAPTER III: RESEARCH METHOD

This chapter explains the scope of the study, research location, research object, research subject, data collection method and data source, sampling method, data

measurement, instrument testing method, and data analysis method used in this study.

CHAPTER IV: ANALYSIS AND DISCUSSION

This chapter will discuss the analysis of processed data such as descriptive statistics, measurement results of each variable and analysis of the discussion of processed data on the variables in this study.

CHAPTER V: CLOSING

Lastly, this chapter will discuss the conclusions obtained from the discussion and analysis of data in the previous chapter, managerial implications and suggestions proposed by the author to be applied to further research.