

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Employee Performance

2.1.1.1 Definition

Employee performance is a central concept in evaluating how effectively individuals accomplish their responsibilities in alignment with organizational goals. It encompasses not only the ability to deliver results efficiently and accurately but also includes the manner in which employees conduct themselves in the workplace (Fadare et al., 2023). This involves consistency in adhering to established standards, ethical principles, and company values. Rather than being limited to task outcomes, performance is increasingly viewed as a combination of both achievements and behavioural integrity.

Adriansyah et al. (2020) highlight that performance must be considered through a broader lens, one that incorporates conduct, professionalism, and alignment with organizational expectations. Employees are expected to demonstrate more than just technical competence. They must also show initiative, reliability, and a commitment to organizational success. Thus, performance is not only measured by what employees achieve, but also by how they achieve it.

2.1.1.2 Factors

Numerous internal and external elements shape employee performance within the organizational setting. Leadership is a primary influence, as supportive

and transformational leadership styles tend to foster motivation and commitment among team members (Attar et al., 2021). Additionally, the organization's culture characterized by shared values, norms, and communication patterns plays a pivotal role in guiding employee behaviour and performance levels (Pawar, 2019).

The work environment, which includes both physical infrastructure and psychological safety, is another critical factor. A well-structured environment that provides adequate tools, clear communication, and mutual respect can significantly boost productivity (Gultom & Liyas, 2023). Conversely, performance may decline in environments where employees receive inadequate training, unclear goals, or insufficient feedback conditions that are known to impair employee motivation and behavioral compliance (Menguc et al., 2024). In short, performance reflects a complex interplay between motivation, leadership, systemic feedback, and organizational support.

2.1.1.3 Dimensions

Employee performance is commonly classified into three dimensions task performance, interpersonal facilitation, and job dedication which together offer a comprehensive evaluation of both output and behavioral contributions at work (Pattnaik & Pattnaik, 2020)

a. Task Performance

This dimension refers to the employee's capacity to effectively perform duties that are formally assigned in their job description. It includes meeting performance targets, maintaining high standards of quality, adhering to

timelines, and complying with safety protocols (Pawar, 2019). Task performance directly impacts operational outcomes and is often the most visible aspect of employee effectiveness.

b. Contextual Performance

Contextual performance involves discretionary behaviours that support the organizational environment but are not explicitly required. These may include helping coworkers, volunteering for additional tasks, promoting a positive work atmosphere, and demonstrating loyalty to the company (Lestary & Harmon, 2018). Although such actions are informal, they are essential in enhancing teamwork and workplace harmony.

c. Adaptive Performance

In today's rapidly changing business environment, the ability to adapt is increasingly vital. Adaptive performance reflects how well an employee responds to changes, manages uncertainty, and learns new skills in response to evolving job demands (Pawar, 2019). Employees who are adaptable contribute to the resilience and agility of the organization during transitions or crises.

d. Counterproductive Work Behaviour (CWB)

While the first three dimensions reflect positive contributions, counterproductive work behaviour captures harmful actions that reduce organizational effectiveness. These include absenteeism, workplace incivility, sabotage, or wilful underperformance (Lestary & Harmon, 2018).

Monitoring and addressing such behaviour are essential to safeguarding organizational health and sustaining performance standards.

By examining these dimensions, organizations can develop a comprehensive performance management system that recognizes both achievements and areas needing intervention.

2.1.1.4 Outcomes

High employee performance generates substantial value for organizations by increasing efficiency, productivity, and competitive advantage (Kusumaningrum et al., 2022). When employees perform well, they contribute to smoother workflows, better customer satisfaction, and enhanced team morale. Organizations also benefit from cost savings, improved innovation, and stronger reputations in their industries.

Furthermore, top performing employees are more likely to receive promotions, professional development opportunities, and leadership roles, thereby reinforcing a culture of excellence and continuous improvement (Lestary & Harmon, 2018). On the other hand, low performance can hinder progress, create bottlenecks, and lead to high turnover, poor engagement, and declining organizational health (Pawar, 2019). Therefore, maintaining and developing employee performance is not only beneficial but essential for long-term organizational sustainability.

2.1.2 Work Life Balance

2.1.2.1 Definition

Work–life balance refers to the capacity to maintain a sustainable and harmonious relationship between one's professional obligations and personal responsibilities, enabling effective management of energy, time, and commitment across life domains without burnout (Obrenovic et al., 2020). In high-pressure settings like PT Freeport Indonesia, this balance is crucial for employee well-being and organizational productivity (Mutiar Rizky Febriani et al., 2021). Moreover, when employees successfully distribute their time and energy, they tend to experience greater emotional regulation and stronger job commitment (Giarto & Sarajar, 2024)

2.1.2.2 Factors

A wide range of factors influences an individual's ability to maintain balance between work and life domains. Primary factors include workload intensity, managerial support, organizational flexibility, and family responsibilities, all of which are strongly associated with reduced work–life conflict and psychological distress (Yucel & Fan, 2023). Companies that implement supportive policies such as hybrid working models, paid leave, wellness incentives, and childcare assistance are more likely to foster environments conducive to work–life balance (Brega et al., 2023). Conversely, rigid schedules, unsupportive supervisors, and excessive overtime frequently exacerbate role conflict, emotional strain, and deteriorating mental health (Yucel & Fan, 2023). Additionally, the availability of resources, task

autonomy, and a supportive organizational culture significantly shape employees' work-life experiences (Brega et al., 2023).

2.1.2.3 Dimensions

The multidimensionality of work-life balance offers a nuanced framework for understanding how work and personal life influence one another. This approach is widely recognized in contemporary research, emphasizing that work-life interactions can involve both conflict and enrichment (Yucel & Fan, 2023). According to (Boamah et al., 2022), three core dimensions are commonly examined in the literature:

a. **Work Interference with Personal Life (WIPL):**

This dimension captures how job demands such as excessive workload, long hours, or emotional strain, spill over and disrupt personal life. Employees experiencing WIPL often report sleep disturbances, limited social interaction, and strained relationships, leading to lower quality of life and job dissatisfaction (Boamah et al., 2022).

b. **Personal Life Interference with Work (PLIW):**

Here, responsibilities in personal life like caregiving or emotional stress affect job performance. Unresolved personal stress is often linked to absenteeism, mistakes, or disengagement at work (Bolliger et al., 2023).

c. **Work/Personal Life Enhancement:**

This positive dimension highlights how success or support in one domain can enhance the other. For example, a fulfilling family life can increase workplace focus, and career success can boost self-esteem and relationships.

These reciprocal effects promote long-term engagement and resilience (Prasad et al., 2025).

2.1.2.4 Outcomes

The outcomes of a well-maintained work-life balance are substantial for both the individual and the organization. Employees who effectively manage work and personal life tend to exhibit reduced stress, higher job satisfaction, and stronger organizational loyalty (Popoola & Fagbola, 2023). Balanced individuals are more likely to demonstrate creativity, collaboration, and commitment in their roles, driven by supportive work-life environments that enhance motivation and engagement (Zhang et al., 2022). Moreover, organizations that support employee well-being through wellness programs and perceived organizational support tend to experience decreased absenteeism, lower turnover, and enhanced operational stability (Peña et al., 2024). Conversely, the absence of work-life balance may result in negative outcomes such as burnout, emotional fatigue, and high resignation intention, ultimately harming productivity and morale (Yucel & Fan, 2023).

2.1.3 Job Satisfaction

2.1.3.1 Definition

Job satisfaction refers to the positive emotional and cognitive responses employees experience when their job meets or exceeds their expectations for work roles, environment, and support (Wang et al., 2022). This alignment between personal values and job characteristics leads to increased well-being and job commitment (Faturrahman & Yuniawan, 2023). Employees who perceive fairness in treatment,

autonomy in their work, and alignment with their broader life goals report significantly higher levels of fulfilment and lower turnover intentions (Damara & Rahardjo, 2024)

2.1.3.2 Factors

Various elements shape job satisfaction such as leadership quality, organizational culture, job security, and career development opportunities which collectively influence employees' satisfaction levels (Rosari & Tjahjadi, 2023). Employees tend to experience higher job satisfaction when they feel supported by leadership, receive fair compensation, and have access to professional growth opportunities (Widyaningtyas et al., 2023). Conversely, a lack of recognition, poor working conditions, and perceived unfairness consistently predict job dissatisfaction (Attar et al., 2021). Moreover, positive work relationships with supervisors and coworkers reflecting a healthy organizational culture are strongly correlated with higher employee job satisfaction (Dinawati & Padmantyo, 2024).

2.1.3.3 Dimensions

Job satisfaction can be dissected into several crucial dimensions, each representing different aspects of the employee experience:

a. Satisfaction with Job Content

This dimension reflects how engaging and fulfilling employees find the tasks and responsibilities that make up their daily work (Mehrad, 2021).

When employees find their work meaningful and aligned with their interests, they are more likely to experience a high level of job satisfaction.

b. Satisfaction with Compensation

Compensation satisfaction is tied to how employees perceive the fairness and adequacy of their pay, benefits, and other rewards (Mehrad, 2021). Fair and competitive compensation packages are integral in fostering a sense of value and appreciation among employees, which in turn boosts overall satisfaction.

c. Satisfaction with Promotion Opportunities

Employees' satisfaction with promotion opportunities pertains to their perception of fairness and transparency in the career advancement process within the organization (Mehrad, 2021). When employees believe that there are opportunities for growth and recognition based on merit, it significantly enhances their job satisfaction.

d. Satisfaction with Supervision

This dimension examines how employees perceive their relationships with supervisors, particularly in terms of managerial support, feedback, and communication (Mehrad, 2021). Positive supervisory relationships that foster trust and encouragement contribute to higher levels of job satisfaction.

e. Satisfaction with Co-worker Relationships

The quality of relationships with colleagues plays a vital role in job satisfaction (Mehrad, 2021). Positive interpersonal relationships,

characterized by teamwork, collaboration, and mutual respect, significantly enhance employees' overall satisfaction with their jobs.

2.1.3.4 Outcomes

The degree of job satisfaction directly influences employee performance and organizational outcomes. Employees who are satisfied with their jobs tend to exhibit higher productivity, greater engagement, and increased organizational commitment, reducing turnover and enhancing workforce stability (Rahim Zumrah et al., 2022). Conversely, dissatisfaction often leads to decreased motivation, lower productivity, increased absenteeism, and eventual turnover, which significantly impairs organizational efficiency and long-term success (Sainju et al., 2021).

2.2 Previous Studies

Table 2. 1

Previous Studies

No	Title of Study	Author(s), Year	Variables Examined	Analytical Method	Key Findings
1	Work motivation, job satisfaction, work-family balance, and job commitment of library personnel in Universities in North-Central Nigeria	(Popoola & Fagbola, 2023)	Work Life Balance, Job Satisfaction, Employee Performance	Partial Least Squares (PLS)	Work Life Balance significantly improves both job satisfaction and performance
2	Work motivation and work-life balance on employee performance as mediated by job satisfaction	(Khansa Nadhilah et al., 2024)	Work Life Balance, Motivation, Employee Performance	SEM-PLS	Work Life Balance improves performance, but not significantly related to satisfaction

No	Title of Study	Author(s), Year	Variables Examined	Analytical Method	Key Findings
3	Work Life Balance and Burnout on Temporary Employees Performance	(Gultom & Liyas, 2023)	Work Life Balance, Job Satisfaction	Linear Regression	No significant impact found between work life balance and job satisfaction
4	the Role of Work Environment, Work Motivation, and Leadership To Improve Employee Performance With Job Satisfaction As an Intervening Variables	(Ingsih, 2021)	Job Satisfaction, Employee Performance	Multiple Regression Analysis	Job satisfaction is a key driver of enhanced employee performance
5	What drives job satisfaction among community pharmacists? An application of relative importance analysis	(Fadare et al., 2023)	Work Life Balance, Job Satisfaction (Mediator), Job Performance	Structural Equation Modelling	Job satisfaction significantly mediates the relationship between balance and performance

2.3 Hypothesis Development

2.3.1 The impact of work-life balance to employee performance.

The ability to successfully manage the competing demands of professional responsibilities and personal commitments is increasingly recognized as essential for sustaining high levels of employee performance. Employees who strike an effective work–life balance report lower stress, improved focus, and higher productivity (Stanley & Sebastine, 2023). Maintaining this balance helps reduce psychological strain and prevent burnout, which can severely undermine consistent performance quality (Costin et al., 2023) Employees who effectively manage this

balance tend to consistently deliver work that's reliable and high-quality, even under pressure (Prentice et al., 2025).

Numerous studies have provided compelling evidence linking work-life balance with improved employee performance. Employees who feel their organizations support a healthy work-life balance tend to show increased commitment to their roles and a marked improvement in their performance (Popoola & Fagbola, 2023). This effect is particularly pronounced in high-demand environments, such as PT Freeport Indonesia, where the need for sustained high performance is essential, and employee well-being plays a crucial role in ensuring long-term success (Kusumaningrum et al., 2022)). In such challenging settings, incorporating work-life balance into organizational performance strategies is key, as it allows employees to maintain their contributions without compromising their physical or mental health (Popoola & Fagbola, 2023).

H1: Work-life balance has a positive influence on employee performance

2.3.2. The impact of work-life balance to job satisfaction.

Work-life balance plays a significant role in determining job satisfaction, which is the emotional and psychological response employees have to their roles within an organization. Employees who perceive that their organizations respect and accommodate their personal commitments are more likely to experience feelings of appreciation and support, both emotionally and (Popoola & Fagbola, 2023).

Studies consistently demonstrate that employees who establish clear distinctions between their work and personal life report higher emotional well-being and greater engagement with their work. Attar et al., (2021) found that individuals who successfully balance these aspects tend to experience heightened job satisfaction, greater job motivation, and reduced burnout. Moreover, this positive relationship is influenced by factors such as job autonomy, personal coping mechanisms, and workplace expectations, as pointed out by (Gultom & Liyas, 2023) suggesting that the ability to manage work-life dynamics is not solely dependent on organizational policies but also on individual circumstances and the nature of the job.

In high-demand environments like PT Freeport Indonesia, where employees navigate diverse and often strenuous job roles, the impact of work-life balance on job satisfaction may vary depending on the specific requirements of their positions and the intensity of the work environment. For example, employees in roles with high physical or mental demands may experience more pronounced effects from work-life balance practices. This study aims to explore these variations, providing a more comprehensive understanding of how work-life balance directly influences job satisfaction in such complex organizational settings (Rahmawati & Gunawan, 2020). By examining these dynamics, the study seeks to uncover key insights into how work-life balance interventions can be tailored to enhance employee satisfaction in challenging work environments.

H2: Work-life balance has a positive influence on job satisfaction

2.3.3. The impact of Job satisfaction to employee performance.

Job satisfaction, which reflects how employees evaluate their overall work experience, is a crucial determinant of employee performance. When workers feel content with their job conditions, roles, and compensation, their performance tends to improve significantly. As noted by Katebi et al., (2022), job satisfaction directly influences employees' organizational commitment, task performance, and their willingness to take on more responsibilities, which ultimately benefits the organization as a whole.

Several studies corroborate the link between job satisfaction and enhanced performance outcomes. According to Fadare et al., (2023) and Ingsih, (2021), job satisfaction is positively associated with key performance indicators such as task accuracy, work efficiency, and overall reliability. Satisfied employees are more likely to engage in their tasks with greater focus and initiative, resulting in improved productivity and more dependable outcomes.

For organizations such as PT Freeport Indonesia, promoting job satisfaction can serve as a powerful tool to foster sustained performance. By creating an environment that emphasizes fairness, career growth, and recognition, companies can enhance employee motivation, engagement, and retention. In challenging work environments, like that of PT Freeport Indonesia, ensuring high levels of job satisfaction helps employees remain dedicated to maintaining excellent performance, thereby driving the company's long-term success (Kusumaningrum et al., 2022).

H3 : Job satisfaction has a positive influence on employee performance

2.3.4. The impacts of Job satisfaction mediate the relationship between work-life balance and employee performance.

Job satisfaction is not only an outcome of work-life balance but also functions as a critical mediating factor between work-life balance and employee performance. This means that the positive effects of work-life balance on employee performance may be indirect, facilitated through enhanced job satisfaction. When employees experience a healthy work-life balance, their job satisfaction increases, which in turn, motivates them to perform at a higher level (Fadare et al., 2023).

Several studies have supported the mediating role of job satisfaction. Fadare et al. (2023) and Nadhilah et al. (2024) found that employees who achieve a balance between their work and personal life are more likely to report greater job satisfaction, which subsequently leads to better performance outcomes. This suggests that work-life balance policies are not only beneficial for employee well-being but also crucial for driving tangible performance improvements within organizations (Fadare et al., 2023).

However, the mediating role of job satisfaction is not always uniform and may depend on contextual factors such as organizational culture, leadership, and job characteristics (Nadhilah et al., 2024). In the case of PT Freeport Indonesia, this study aims to investigate whether job satisfaction significantly mediates the relationship between work-life balance and performance and to explore how this

relationship may vary across different roles and work conditions within the company.

H4: Job satisfaction mediates the relationship between work life balance and employee performance

2.4 Research Framework

The research proposes a model involving three main constructs: work-life balance, job satisfaction, and employee performance, with job satisfaction positioned as the mediating variable.

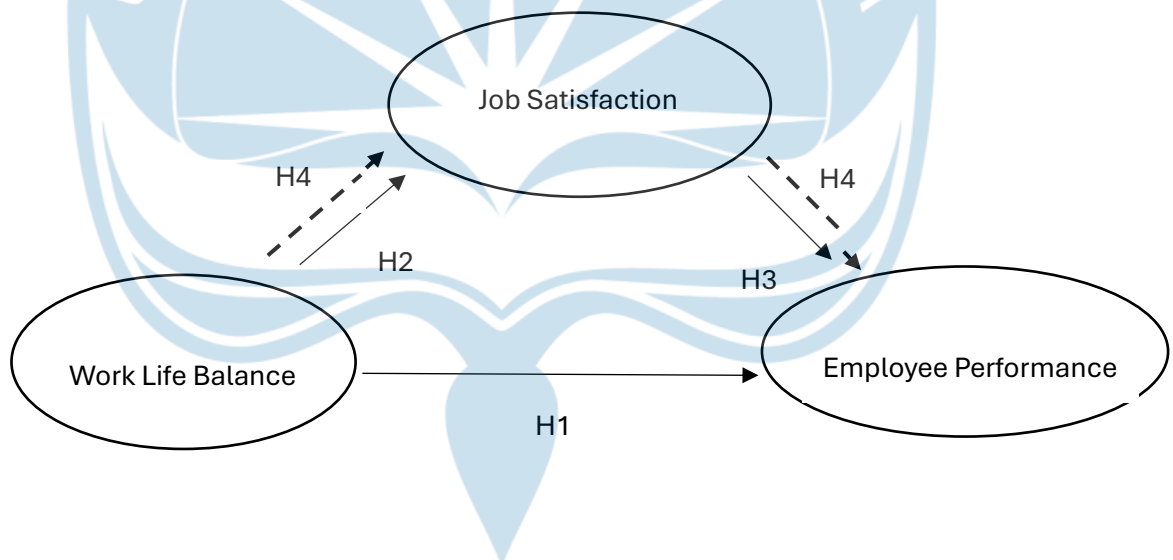


Figure 2. 1

Concept of the Study