

The Effect of Workplace and Working Hours Flexibility on Industrial Relations Mediator (MHI) Performance through Reward and Punishment

Siti Sundari¹, Zainul Kisman²

^{1,2}, Master of Management Study Program, Faculty of Economics, Business and Humanities, Universitas Trilogi
Email: Sitisundari20181@gmail.com

Abstract

This study analyzes the influence of workplace flexibility and working hours flexibility on the performance of Industrial Relations Mediators (MHI), with reward and punishment as mediating variables. The study is motivated by the fluctuating case-resolution rate of industrial relations disputes handled by MHI within the Directorate General of Industrial Relations and Workers' Social Security Development, which has not shown a stable trend from 2022 to April 2025 (81.25%; 70.94%; 88.76%; 76.31%). This research employs a quantitative associative approach with a cross-sectional survey design, analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4.1.1.8. The sample consists of 81 MHI selected through proportional stratified random sampling from a population of 101 individuals. The results indicate that workplace and working-hours flexibility have a positive and significant effect on reward and punishment ($\beta = 0.444$ and 0.424), as well as on mediator performance both directly ($\beta = 0.345$ and 0.294) and through reward and punishment as a partial mediator ($\beta = 0.123$ and 0.118). Reward and punishment are also proven to positively and significantly affect mediator performance ($\beta = 0.278$), such that all seven hypotheses are accepted.

Keywords: Industrial Relations, Mediator Performance, PLS-SEM, Reward And Punishment, Workplace Flexibility, Working Hours Flexibility

Abstrak

Penelitian ini bertujuan menganalisis pengaruh fleksibilitas tempat kerja dan fleksibilitas jam kerja terhadap kinerja Mediator Hubungan Industrial (MHI), dengan reward dan punishment sebagai variabel mediasi. Penelitian menggunakan pendekatan kuantitatif asosiatif dengan desain survei cross sectional, dianalisis menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM) melalui SmartPLS 4.1.1.8. Sampel berjumlah 81 MHI yang dipilih melalui proportional stratified random sampling dari populasi 101 orang. Hasil penelitian menunjukkan bahwa fleksibilitas tempat kerja dan fleksibilitas jam kerja berpengaruh positif signifikan terhadap reward dan punishment (β

= 0,444 dan 0,424), serta terhadap kinerja MHI baik secara langsung ($\beta = 0,345$ dan 0,294) maupun melalui reward dan punishment sebagai mediator parsial ($\beta = 0,123$ dan 0,118). Reward dan punishment juga terbukti berpengaruh positif signifikan terhadap kinerja MHI ($\beta = 0,278$), sehingga seluruh tujuh hipotesis diterima.

Kata Kunci: *Fleksibilitas Jam Kerja, Fleksibilitas Tempat Kerja, Kinerja Mediator Hubungan Industrial, PLS-SEM, Reward Dan Punishment*

Introduction

a. Background

Industrial Relations Mediators (MHI) are state officials responsible for resolving disputes between workers and employers through the non-litigation mechanism of mediation, as mandated by Law Number 2 of 2004. Data from the Directorate General of Industrial Relations and Workers' Social Security Development (Ditjen PHI and Jamsos) shows that the case-resolution rate achieved by MHI fluctuated considerably from 2022 to April 2025: 81.25%, falling to 70.94% in 2023 as filed cases more than doubled, improving to 88.76% in 2024, then falling again to 76.31% in April 2025.

In the era of flexible working arrangements, Ditjen PHI and Jamsos began implementing workplace and working-hour flexibility based on PANRB Ministerial Regulation Number 7 of 2022. However, the literature shows inconsistent results regarding the effect of work flexibility on public-sector employee performance: some studies show productivity gains when supported by outcome-based control, while others warn of declining discipline and ambiguous performance standards when flexibility is applied without clear operational boundaries. Reward and punishment are positioned as a mediating variable because they function to maintain the balance between granted work autonomy and accountability for outcomes.

This research offers novelty in testing the mediating role of reward and punishment in the relationship between workplace flexibility and working-hours flexibility on MHI performance, using Industrial Relations Mediator functional officials as the research object—a group not yet widely studied in prior literature.

b. Research Questions

Based on the research background, the study addresses the following questions:

1. Does workplace flexibility affect reward and punishment among MHI?
2. Does working-hour flexibility affect reward and punishment among MHI?
3. Does reward and punishment affect MHI performance?
4. Does workplace flexibility directly affect MHI performance?
5. Does working-hours flexibility directly affect MHI performance?
6. Does reward and punishment mediate the effect of workplace flexibility on MHI performance?

7. Does reward and punishment mediate the effect of working-hours flexibility on MHI performance?

Literature Review

1. Grand Theories

This study is grounded in Social Exchange Theory (Blau, 1964) as the grand theory, explaining that the organization-employee relationship is formed through reciprocity: support and trust granted by the organization—in this case work flexibility—are reciprocated through responsible work behavior. Job Characteristics Theory (Hackman & Oldham, 1980) explains workplace flexibility through the autonomy dimension; Goal Setting Theory (Locke & Latham, 1990) explains working-hours flexibility as time latitude that remains directed toward target achievement; Reinforcement Theory (Skinner, 1953) explains reward and punishment as a consequence-based behavior-reinforcement mechanism; and the Theory of Work Performance (Campbell, 1990) explains performance as a function of individual ability, motivation, and organizational situational factors.

2. Concept of Workplace and Working-Hours Flexibility

Workplace flexibility is the latitude granted by organizations for employees to work from different locations without reducing target achievement (Hackman & Oldham, 1980; Morgeson & Humphrey, 2006). Choudhury, Foroughi, and Larson (2021) found that a work-from-anywhere policy increased USPTO patent examiner productivity when supported by outcome-based control, while Golden and Veiga (2005) found a curvilinear relationship between remote-work intensity and job satisfaction. Working-hours flexibility is the latitude to arrange working time according to task needs (Locke & Latham, 1990). Allen, Johnson, Kiburz, and Shockley (2013) found that flextime is associated with reduced work-family conflict, while Almer and Kaplan (2002) and Kossek, Lautsch, and Eaton (2006) emphasized that without clear boundary management, time flexibility risks increasing work stress and ambiguity in performance standards.

3. Concept of Reward and Punishment

Reward and punishment constitute a behavior-reinforcement system used by organizations to maintain productive behavior and correct deviant behavior (Skinner, 1953). Kuvaas (2006) found that performance-based compensation is positively correlated with performance and affective commitment. Sofiastuti and Andriani (2022) found that reward positively affects employee performance in Islamic banking, while Farizky and Hermiati (2023) found that the effect of reward and punishment on performance becomes stronger when mediated by work productivity.

4. Concept of MHI Performance

MHI performance is understood as the mediator's level of success in resolving industrial relations disputes in accordance with the functions and provisions of Law No. 2 of 2004, reflected in timeliness, task-execution appropriateness, satisfaction of disputing parties, procedural compliance, and case-resolution rate relative to caseload (Campbell, 1990).

5. Prior Research

Hamdani and Saleh (2024), in the Islamic banking sector, showed that working-hours flexibility positively affects employee performance alongside integrity and job satisfaction, while Budiyanto and Budiati (2024), in a taxation office, found job satisfaction mediates the effect of workload and competence on employee performance. Malemi (2023) emphasized that the effectiveness of work flexibility in Indonesia's public sector strongly depends on the readiness of organizational control instruments. These studies reinforce the argument that public-sector employee-performance determinants are multifactorial and often mediated by managerial variables, consistent with the mediating position of reward and punishment in this study.

6. Conceptual Framework and Hypotheses

Based on the grand theories, literature review, and prior research, this study positions workplace flexibility (X1) and working-hours flexibility (X2) as independent variables, reward and punishment (Z) as the mediating variable, and MHI performance (Y) as the dependent variable. The framework yields the following hypotheses:

- H1: Workplace flexibility has a significant effect on reward and punishment.
- H2: Working-hours flexibility has a significant effect on reward and punishment.
- H3: Reward and punishment have a significant effect on MHI performance.
- H4: Workplace flexibility has a significant effect on MHI performance.
- H5: Working-hours flexibility has a significant effect on MHI performance.
- H6: Reward and punishment mediate the effect of workplace flexibility on MHI performance.
- H7: Reward and punishment mediate the effect of working-hours flexibility on MHI performance.

Research Methods

This study applies a quantitative associative approach with a cross-sectional survey design (Sugiyono, 2022; Sekaran & Bougie, 2020). The population comprises all active MHI within Ditjen PHI and Jamsos, Ministry of Manpower of the Republic of Indonesia, totaling 101 individuals. The sample size was determined using the Slovin formula with a 5% margin of error, yielding a minimum sample of 81, obtained through proportional stratified random

sampling based on functional position level (Junior Expert Mediator: 13; Associate Expert Mediator: 44; Senior Expert Mediator: 24).

Primary data were collected through a 1-5 Likert-scale questionnaire, constructed from indicators of each variable: workplace flexibility (5 indicators), working-hours flexibility (5 indicators), reward and punishment (5 indicators), and MHI performance (5 indicators). Instrument validity and reliability were confirmed through outer-model testing, including outer loading, AVE, Composite Reliability, Cronbach's Alpha, and discriminant validity checks.

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.1.1.8 (Hair et al., 2022). This method was chosen for its robustness in handling relatively small sample sizes, complex models, and mediation testing. Analysis included both measurement-model evaluation (validity and reliability) and structural-model evaluation (R^2 , f^2 , Q^2 , and path coefficients) to test the hypotheses through a bootstrapping procedure with 5,000 subsamples.

Result and Discussion

1. Result of Data Analysis

Before presenting the PLS-SEM results, secondary data on MHI performance for 2022-April 2025 are reviewed to illustrate the dynamics motivating this study. Figure 1 shows that the surge in filed cases in 2023 (117 cases, more than double the 48 cases in 2022) was not matched by a proportional increase in resolution capacity, causing the resolution rate to fall to its lowest point (70.94%). Of the 81 respondents, the majority were male (61.73%), aged 40-49 years (39.51%), held a bachelor's degree (67.90%), had 11-20 years of work experience (59.26%), and served as Associate Expert Mediators (54.32%).

The measurement-model (outer model) evaluation showed that all indicators fulfilled the required validity and reliability criteria. Outer loading values exceeded 0.70 (0.720-0.886), Average Variance Extracted (AVE) exceeded 0.50 (0.604-0.687), Composite Reliability exceeded 0.70 (0.884-0.916), and Cronbach's Alpha was also above 0.70 (0.838-0.885). Discriminant validity was confirmed through cross-loading and Heterotrait-Monotrait Ratio (HTMT) values below 0.90. Variance Inflation Factor (VIF) values ranged from 1.461-3.178, well below the 5.00 threshold, so no multicollinearity was found.

The structural model (inner model) analysis produced the following findings:

- Effect of Workplace Flexibility (X1) on Reward and Punishment (Z): path coefficient $\beta = 0.444$, t-statistic 4.293, $p < 0.001$. The effect is positive and statistically significant.
- Effect of Working-Hours Flexibility (X2) on Reward and Punishment (Z): path coefficient $\beta = 0.424$, t-statistic 3.841, $p < 0.001$. The effect is positive and significant.

- Effect of Reward and Punishment (Z) on MHI Performance (Y): path coefficient $\beta = 0.278$, t-statistic 2.919, $p = 0.004$. The effect is positive and significant.
- Effect of Workplace Flexibility (X1) on MHI Performance (Y): path coefficient $\beta = 0.345$, t-statistic 3.479, $p = 0.001$. The direct effect is significant, although weaker than its effect on reward and punishment.
- Effect of Working-Hours Flexibility (X2) on MHI Performance (Y): path coefficient $\beta = 0.294$, t-statistic 2.710, $p = 0.007$. The direct effect is significant.
- Mediating Role of Reward and Punishment (Z): the mediation analysis confirmed partial mediation:
 1. Workplace Flexibility $\rightarrow$ Reward and Punishment $\rightarrow$ MHI Performance (indirect $\beta = 0.123$, $p = 0.021$).
 2. Working-Hours Flexibility $\rightarrow$ Reward and Punishment $\rightarrow$ MHI Performance (indirect $\beta = 0.118$, $p = 0.016$).

Although workplace and working-hours flexibility have direct effects on MHI performance, the indirect effects through reward and punishment remain significant, confirming its role as a partial mediator.

- Model Fit Indicators: the structural model demonstrated good explanatory power, with $R^2 = 0.697$ for MHI performance and $R^2 = 0.651$ for reward and punishment, both in the moderate category. Effect size (f^2) values indicated moderate-to-strong contributions of workplace and working-hours flexibility to reward and punishment.

2. Discussion

The discussion of the findings is as follows:

a. Effect of Workplace Flexibility on Reward and Punishment

The path-coefficient analysis revealed a strong positive effect of workplace flexibility on reward and punishment ($\beta = 0.444$, $p < 0.001$). This finding is consistent with Social Exchange Theory (Blau, 1964): the greater the location autonomy granted by the organization, the greater the need for a transparent, outcome-based control mechanism to sustain reciprocity.

b. Effect of Workplace Flexibility on MHI Performance

Workplace flexibility showed a direct effect on MHI performance ($\beta = 0.345$, $p = 0.001$), although weaker than its effect on reward and punishment. This result is consistent with Choudhury, Foroughi, and Larson (2021), who confirmed that location autonomy increases productivity when supported by outcome-based control.

c. Effect of Working-Hours Flexibility on MHI Performance

Working-hours flexibility had a positive effect on MHI performance ($\beta = 0.294$, $p = 0.007$), with a stronger effect when mediated by reward and punishment. This supports Goal Setting Theory (Locke & Latham, 1990), which asserts that clear, measurable time targets guide mediators in managing their caseload effectively.

d. Effect of Reward and Punishment on MHI Performance

Reward and punishment positively affected MHI performance ($\beta = 0.278$, $p = 0.004$), further underscoring the importance of an objective reward and punishment system in performance assessment. Kuvaas (2006) emphasizes that performance evaluations based on objective data lead to more accurate and transparent assessments. This study supports the notion that performance evaluations are more reliable when the reward and punishment system reflects mediators' true achievements, reducing the likelihood of bias in decision-making.

e. The Mediating Role of Reward and Punishment

Reward and punishment served as a partial mediator in the relationship between work flexibility and MHI performance (indirect $\beta = 0.123$ for workplace flexibility, $p = 0.021$; indirect $\beta = 0.118$ for working-hours flexibility, $p = 0.016$). This finding supports Kuvaas (2006), who found that reward and punishment mediate the relationship between work-system design and organizational performance outcomes. The significant mediation effect indicates that the benefits of work flexibility are maximized when reward and punishment is ensured to be objective, making clear that the success of flexibility policy relies heavily on the quality of the accompanying control mechanism.

f. Model Fit Indicators

The model fit indicators ($R^2 = 0.697$ for MHI performance, $R^2 = 0.651$ for reward and punishment) indicate that work flexibility and reward-punishment explain a substantial proportion of variance in MHI performance and its control mechanism. These values are consistent with Hair et al. (2022), who suggest that high-quality work systems accompanied by effective control mechanisms lead to better organizational outcomes. The f^2 values confirmed that workplace and working-hours flexibility are key contributors to improvements in reward and punishment as well as MHI performance.

Conclusion and Recommendation

1. Conclusion

Based on the analysis of the data, the study concludes that:

- a. Workplace flexibility has a positive and significant effect on reward and punishment among MHI.
- b. Working-hours flexibility has a positive and significant effect on reward and punishment among MHI.
- c. Reward and punishment have a positive and significant effect on MHI performance.
- d. Workplace flexibility has a positive and significant direct effect on MHI performance.
- e. Working-hours flexibility has a positive and significant direct effect on MHI performance.

- f. Reward and punishment partially mediate the effect of workplace flexibility on MHI performance.
- g. Reward and punishment partially mediate the effect of working-hours flexibility on MHI performance.

2. Recommendations

1) Practical Recommendations

- a. Optimization of Work-Flexibility Policy Implementation: Ditjen PHI and Jamsos needs to ensure that workplace and working-hours flexibility are applied consistently across all work units, accompanied by clear technical guidelines.
- b. Strengthening a Results-Based Reward and Punishment System: the organization is advised to develop key performance indicators (KPIs) that explicitly link work flexibility to outcome achievement, rather than mere administrative compliance.
- c. Periodic Evaluation: regular evaluation of the effectiveness of work-flexibility policy and the reward-punishment system is needed to ensure both continue to support sustainable improvement in MHI performance.
- d. Strengthening Internal Communication and Coaching: continuous communication and coaching for MHI regarding the implementation of work-flexibility policy is needed to build a shared understanding and a performance-oriented organizational culture.
- e. Supporting Policy and Regulation: the results of flexibility-based performance evaluation should be used as a basis for mediator career development, including promotion and training recommendations.

2) Academic Recommendations

- a. Development of Conceptual Models: future research could integrate other variables such as job satisfaction, management support, and organizational culture to enrich the model of work flexibility's influence on MHI performance.
- b. Longitudinal Approach: further studies should employ a longitudinal design to assess the long-term impact of work-flexibility policy on performance improvement, rather than focusing only on the short term.
- c. Expansion of Research Objects: this study could be expanded to industrial relations contexts in other government agencies or different public-sector settings to assess the generalizability of the findings.
- d. Integration of Work-System and HR Theories: future researchers are advised to examine work-flexibility implementation by integrating Social Exchange Theory with human-resource competency theory to build a more comprehensive conceptual framework.

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