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# The Influence of Flexible Working Arrangement on Employee Performance with Work Life Balance as a Mediation

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**ABSTRACT**

Flexible working arrangement (FWA) is increasingly being implemented to improve operational efficiency and employee welfare. Technological advances support the implementation of FWA, but challenges in human resource management remain. Work-life balance is a key factor that influences employee performance in a flexible work system. The study analyzed the relationship between flexible working arrangements, work-life balance, and employee performance to better understand the mechanisms underlying this relationship. This study used purposive sampling with 305 respondents. Data were gathered by means of Google Form and analyzed using the SEM-PLS method. Flexible work arrangements have a positive but insignificant direct impact on employee performance. However, FWA significantly has positive impact on work-life balance, which in turn improves employee performance and enacts as a mediator in the correlation. This study found that FWA improves employee performance through work-life balance as a mediator. The implications of the study encourage the effective implementation of FWA, with recommendations for further research on demographic factors and industry sectors.

## Introduction

After Covid pandemic, the flexible working arrangement (FWA) concept has developed into a strategy increasingly being implemented by various companies to improve operational efficiency and employee welfare. FWA provides flexibility for employees in determining their work time and place, so it is considered a solution to various operational challenges, such as limited work facilities and changes in business patterns due to technological developments [1]. Rapid technological advancements also support the implementation of FWAs, allowing companies to manage their workforce more flexibly through various digital platforms and human resource management systems [2].

Although FWA offers many benefits, its implementation still faces challenges, especially in human resource management (HRM). Employees are expected to be able to organize work schedules independently, maintain productivity, and adjust to changes in the work environment without direct supervision [3]. Therefore, understanding the factors influencing employee performance in a flexible work system becomes very important for organizations to optimize their HR management strategies.

Among the primary factors affecting employee performance in flexible work systems is work-life balance. Prior research shows that work-life balance can improve job satisfaction, motivation, and employee productivity [4]. With flexibility in determining work schedules, employees have more control in adjusting work activities to personal needs, which can reduce stress levels and improve work quality [5]. However, not all studies discovered a positive relationship between FWA and employee performance. Some studies indicate that work flexibility can have adverse effects if not properly managed, for example by creating unstructured workloads or lowering work discipline [6].

The research gap in this study lies in the inconsistency of findings regarding the impact of FWA on employee performance, peculiarly through the mediating role of work-life balance. Some studies found that FWA directly increases productivity, while others show that the positive impact of FWA only occurs when the work-life balance is well maintained [7]; [8]. Therefore, this study was intended for analyzing the relationship between flexible working arrangements, work-life balance, and employee performance to improve comprehension on the mechanism underlying the relationship.

Based on the background, this research has the problem formulation of (1) whether FWA, work-life balance, and employee performance have a significant relationship, (2) whether FWA affects work-life balance, (3) whether work-life balance has an impact on employee performance, and (4) whether work-life balance acts as a mediator in the relationship between FWA and employee performance. Thus, this study seeks to reveal the intensity of flexible working system implementation that can improve employees' work-life balance and its impact on individual accomplishment in corporate environment.

Based on the background that has been explained, this research proposes several problem formulations, namely: (1) whether there is a significant relationship between flexible work arrangements, work-life balance, and employee performance, (2) whether flexible work arrangements affect work-life balance, (3) whether work-life balance affects employee performance, and (4) whether work-life balance serves as a mediating variable in the relationship between flexible work arrangements and employee performance. Thus, this study aims to analyze the extent to which implementing a flexible work system can improve employees' work-life balance and its impact on individual performance in a corporate environment.

## Research Methods

This research utilizes quantitative research methods. It used primary data obtained from an online-based questionnaire. The questionnaire was presented in a Google Form and disseminated digitally using the Line, Instagram, and WhatsApp messaging applications. This study populations are employees who implement a flexible

work system regarding time and place and have worked for at least one year in the same company. The respondent was selected using purposive sampling method. The number of samples in this study was 312 respondents, and as many as 305 (97.76%) were eligible for data processing.

The data analysis method used in this research is Partial Least Square (PLS) based on Structural Equation Modelling (SEM), namely SmartPLS used for data analysis. In addition, this study analyses descriptive statistical analysis of mean analysis to determine the most dominant and prominent answers.

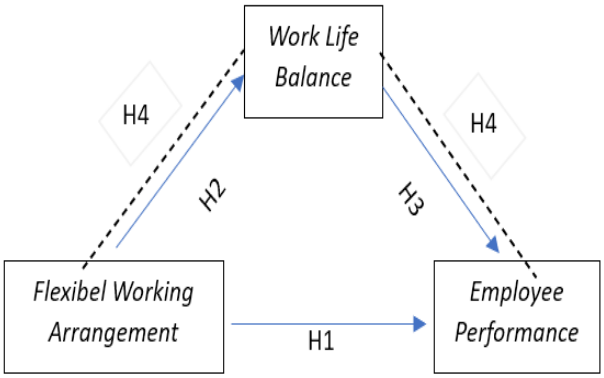


Figure 1. Figure Title

## Result and Discussion

### Respondents Profile

Respondents of this study are employees from various industrial fields in Indonesia. Based on the data of 305 respondents who are eligible for further processing, the respondents are predominantly in the age group of 21-40 years, totaling 259 people (84.92%), are married (63.93%), have an income level below Rp.10,000,000 per month (78.69%). The number of male respondents (58.36%) is quite balanced with female respondents (41.64%). The questionnaires were evenly distributed, as seen from the location of the domicile of respondents spread across 71 cities throughout Indonesia.

### Outer Model

### Validity and Reliability

The outer model serves to test the validity and reliability of the instrument. The validity is reflected in the Average Variance Extracted (AVE) value. According to Hair et al. [in 9], the value of convergent validity that is acceptable and considered valid in the SmartPLS system is if the value of factor loading is above 0.6 and the AVE value is above 0.5. In addition, the composite reliability and Cronbach's alpha values, each of which has a value above 0.7, determine the reliability of variables

Table 1 Validity and Reliability Test

| Variabel | Cronbach's | Composite reliability (rho_a) | Composite reliability (rho_c) | Average Variance Extracted (AVE) |
|---|---|---|---|---|
| Flexible Working Arrangement | 0.757 | 0.610 | 0.771 | 0.757 |
| Employee Performance | 0.583 | 0.765 | 0.860 | 0.583 |
| Work Life Balance | 0.756 | 0.765 | 0.837 | 0.756 |

Table 1 shows that the Cronbach's Alpha value for employee performance variable of 0.583, which is lower than other variables, but has a higher Composite Reliability (CR) value of 0.860. Conversely, the flexible working arrangement has a higher Cronbach's Alpha value of 0.757 but a lower CR value of 0.771. In addition, the work-life balance variable has a Cronbach's Alpha value of 0.756 and a CR value of 0.837.

Based on the test results, the entire variables have an AVE value above 0.5 so that they are declared valid. The flexible working arrangement variable has an AVE value of 0.757, the employee performance has an AVE value of 0.583, and the work-life balance has an AVE value of 0.756.

**Inner Model**

Inner model analysis is useful to assess and predict causal relationships between latent variables. The inner model submits two important test results, namely the coefficient of determination and p-value. This test is held by considering the $R^2$ or coefficient of determination, which describes the effect of each variable on other variables in the research framework.

**Coefficient of Determination ($R^2$)**

Table 2 Results of R-square Test

| Variable | R-Square |
|---|---|
| Employee Performance | 0.205 |
| Work Life Balance | 0.263 |

In the employee performance variable, it is known that the $R^2$ value is 0.205, which means that employee performance is influenced by FWA and work-life balance by 20.5%, while 79.5% is explained by other variables not included in this research. The work-life balance has an $R^2$ value of 0.263, this shows that work-life balance is affected by FWA by 26.3% while 73.7% can be influenced by other variables beyond this study.

**Prediction Relevance ($Q^2$)**

Predictive relevance is a calculation method that evaluates that the inner model can prove the relevance of prediction accuracy well.

$Q^2 = 1 - (1-R^2\ EP) \times (1-R^2\ WLB)$
$= 1 - (1-0.205) \times (1-0.263)$
$= 1 - (0.795) \times (0.737)$
$= 1 - 0.586$
$= 0.414$

Based on the above calculations, the $Q^2$ calculation is 0.414, so if it is above 0. It can be concluded that this study provides a predictive influence that is classified as weak. Another important test result is the hypothesis test results. Hypothesis testing or t-tests examine whether the hypothesis is accepted or not. The t-tests in this study use the bootstrapping method in the SmartPLS 4 application.

Table 3 The inner model evaluation

| Direct Effect | Path Coefficient | T-Statistics | P Value | |
|---|---|---|---|---|
| FWA -> EP | 0.066 | 0.907 | 0.364 | Rejected |
| FWA -> WLB | 0.513 | 7,430 | 0.000 | Accepted |
| WLB -> EP | 0.415 | 4,288 | 0.000 | Accepted |

Table 3 shows that flexible working arrangements affect employee performance positively but not statistically significant. This is due to the p-value of 0.364 > 0.05 and the resultant t-statistic value of 0.907 < 1.96. Thus, the first hypothesis in this study that 'FWA affect employee performance' is rejected.

The test results show that flexible working arrangements have a positive and significant effect on employee performance, with a path coefficient value of 0.513, a t statistic value of 7.430 >1.96, and p values of 0.000 < 0.05. Therefore, the second hypothesis: flexible working arrangements on work-life balance, is accepted.

The work-life balance has a positive and significant effect on employee performance with a path coefficient of 0.413, a t statistic of 4.288 (higher than 1.96), and a p-value of 0.000 (< 0.05). Therefore, the third hypothesis 'Work-Life Balance affects Employee Performance' is accepted.

Table 4 The indirect effect of Work Life Balance

| Indirect Effect | Path Coefficient | T-Statistics | P Value | |
|---|---|---|---|---|
| FWA -> WLB -> EP | 0.213 | 3,176 | 0.002 | Accepted |

The data in Table 4 supports the hypothesis that work-life balance plays an intervening role in the relationship between FWA and employee performance. As we can see from the path coefficient of 0.213, t statistic of 3.176 (> 1.96), and p-value of 0.002

(< 0.05). Hence, the hypothesis in this study that Work-Life Balance enacts as a mediator between FWA and Employee Performance' is accepted.

## Discussion

### Flexible Working Arrangement and Employee Performance

Flexible working arrangement positively influences employee performance. However, this effect is not statistically significant due to the p-value of 0.364 >0.05 and the resultant t-statistic value of 0.907 < 1.96. The first hypothesis, which states that 'flexible working arrangements affect employee performance, is rejected. Not all employees can work with focus when given freedom at work. Although flexible working arrangements can provide the expected flexibility, some employees may find it difficult to utilize them optimally.

### Flexible Working Arrangement and Work Life Balance

The findings show that work-life balance is positively and significantly affected by flexible working arrangements. This is supported by the following numerical values: path coefficient of 0.513, t-statistic of 7.430 (more than 1.96), and p-value of 0.000 (higher than 0.05). Therefore, the 'influence of flexible work arrangements on work-life balance' (second hypothesis) is recognized. This study is in line with previous research [11], which proved that flexible work arrangements have a positive and significant effect on work-life balance. Work-life balance can be significantly improved by flexible work arrangements implementation.

Due to flexible work arrangements, employees can plan their schedules and locations according to their needs. As such, employees will feel less pressure and friction between their professional and personal lives when they have more leeway.

### Work Life Balance and Employee Performance

Based on the findings, a healthy work-life balance significantly improves workplace productivity (path coefficient 4.15, t-statistic 4.288 >1.96 and p-value 0.000 <0.05). So, 'the effect of work-life balance on employee performance' (third hypothesis) is accepted. This finding is aligned with previous research [12] that there is a positive and significant influence between work-life balance and employee performance. Employees can maintain physical, mental, and emotional well-being when they have enough time to relax and do things they love outside of work. Workers who can achieve a healthy balance between their personal and professional lives will be happier and more satisfied. Happy and satisfied employees tend to be more productive and perform better at work.

### Flexible Working Arrangement, Employee Performance and Work Life Balance

The test results suggest that FWA significantly improve employee performance through work-life balance as an intervening variable. The positive correlation between FWA and employee performance through work-life balance is shown by the t value = 3.176, p = 0.002, and path coefficient value = 0.213. Employee productivity increases along with healthy work-life balance improvements, which is why FWA are so popular. The role of work-life balance as intervening in the positive relationship between FWA

and employee performance is significantly proven in this study. The results are in line with the prior study [13] that work-life balance plays a mediating role in the relationship between FWA and employee performance.

## Conclusion

The results of this research reveal that flexible working arrangements do not have a positive and significant impact on employee performance. FWA positively and significantly influence work-life balance. Work-life balance positively and significantly affect employee performance. Work-life balance has a positive and significant effect in intervening the effect of FWA on employee performance. Based on the conclusions obtained in this study, the authors recommend future researchers to enrich this research by classifying respondents based on employment sectors (such as creative and manufacturing industries and so on), and demographic factors (age, gender, status). The authors also suggest future research to add moderating variables such as job satisfaction, organizational commitment, or organizational culture to see if these factors can strengthen or weaken the relationship between FWA and employee performance to provide comprehensive results.

This research can provide managerial implications for effectively implementing FWA to reduce employee stress and improve their performance by ensuring that it is not just a formality but is implemented in various units. Employees must optimally employ work flexibility to balance their personal and work lives. In addition, future research is recommended to delve into the impact of FWA on productivity in a particular organization and consider other factors, such as discipline and motivation, that can affect employee performance.

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