

FORCED RANKING PERFORMANCE SYSTEM AND EMPLOYEE TURNOVER INTENTION IN A PUBLIC SOCIAL SECURITY ORGANIZATION

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Abstract

This study examines the influence of the forced ranking performance system on employee turnover intention within a public social security organization in Indonesia, as well as the mediating role of perceived organizational justice in this relationship. A quantitative approach was employed with a cross-sectional survey design. Data were collected from 100 employees of a public social security organization using purposive sampling. Structural Equation Modeling (SEM) was applied to test hypotheses. The results indicate that the forced ranking system negatively influences perceived organizational justice ($\beta = -0.513$, $p < 0.001$) and positively influences employee turnover intention ($\beta = 0.452$, $p < 0.001$). Organizational justice negatively influences turnover intention ($\beta = -0.492$, $p < 0.001$). Mediation analysis using the Sobel test confirms that organizational justice partially mediates the relationship between the forced ranking system and turnover intention (indirect effect = 0.168, $Z = 3.056$, $p = 0.002$). These findings suggest that performance management systems in public sector organizations must consider fairness perceptions to sustain employee retention and institutional effectiveness.

Keywords: Forced ranking, organizational justice, turnover intention, public sector, social security

INTRODUCTION

Human resources are increasingly recognized as one of the most strategic assets in determining the long-term sustainability of organizations. In both private and public sector institutions, effective human resource management plays a crucial role in maintaining organizational performance, institutional stability, and the quality of services delivered to stakeholders. In modern organizations facing growing demands for accountability and transparency, performance management systems serve as essential mechanisms for directing employee behavior and ensuring the achievement of organizational objectives in a sustainable manner.

One performance evaluation approach widely used in human resource management practices is the forced ranking performance system, also known as forced distribution. This system requires managers to classify employees into predetermined performance categories based on relative performance distribution. In practice, a small proportion of employees are categorized as high performers, the majority as average performers, and a smaller group as low performers. The approach originally emerged in the corporate sector as a strategy to differentiate employee performance, strengthen individual accountability, and prevent performance rating inflation.

Despite these potential advantages, the implementation of forced ranking systems has generated considerable debate within the human resource management literature. Several studies indicate that such systems may create unhealthy competition among employees, reduce teamwork

and collaboration, and generate perceptions of unfairness in performance evaluation processes. When employees perceive the performance appraisal system as unfair, it may lead to lower job satisfaction, reduced organizational commitment, and increased turnover intention.

Turnover intention has been widely recognized as a key indicator in organizational behavior research because it strongly predicts actual employee turnover. High turnover levels can create various negative consequences for organizations, including the loss of institutional knowledge, increased recruitment and training costs, and disruptions in organizational stability. In public sector organizations such as public social security organization, these consequences may be even more significant because workforce stability plays a critical role in maintaining the continuity and effectiveness of public service delivery.

Based on these considerations, this study aims to examine the influence of the forced ranking performance system on employee turnover intention, as well as the mediating role of perceived organizational justice in this relationship. This research contributes theoretically by enriching the literature on performance management systems, organizational justice perceptions, and employee behavioral outcomes in public sector organizations. Practically, the study offers insights for policymakers and HR practitioners in designing evaluation systems that support human capital sustainability.

The novelty of this study lies in its examination of the forced ranking performance system within a public social security institution, an area that has received limited attention compared to studies conducted in private sector organizations. The study integrates organizational justice as a mediating mechanism, providing a more comprehensive understanding of how performance management policies affect human capital sustainability in the public sector.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Forced Ranking Performance System

The forced ranking performance system, also known as forced distribution, is a performance appraisal method that requires managers to evaluate employees based on relative performance and assign them into predefined categories. This system assumes that employee performance follows a normal distribution, where a limited number of employees are classified as high performers, the majority as average performers, and a small proportion as low performers.

From a managerial perspective, the forced ranking system is designed to improve performance differentiation and reduce rating inflation commonly found in traditional appraisal systems (DeNisi & Murphy, 2017). However, the system has also been widely criticized for creating excessive competition among employees, potentially undermining teamwork and collaboration (Scullen et al., 2005). In public sector organizations, the implementation of forced ranking systems may present additional challenges due to the emphasis on stability, fairness, and collective service outcomes.

Organizational Justice

Organizational justice refers to employees' perceptions of fairness within an organization, particularly in relation to decision-making processes, outcomes, and interpersonal treatment. According to Colquitt (2001), organizational justice encompasses three main dimensions: distributive justice (perceived fairness of outcomes), procedural justice (fairness of decision-making processes), and interactional justice (quality of interpersonal treatment during implementation of procedures).

Organizational justice theory suggests that employees are more likely to accept organizational decisions when they perceive them as fair (Cropanzano et al., 2007). When employees perceive the performance evaluation system as transparent and fair, they are more likely to maintain trust in management and demonstrate higher organizational commitment.

Conversely, perceptions of unfairness may lead to dissatisfaction and withdrawal behaviors, including turnover intention.

Turnover Intention

Turnover intention is defined as an employee's conscious and deliberate willingness to leave the organization within a certain period (Hom et al., 2017). It is widely recognized as one of the most reliable predictors of actual employee turnover. High turnover levels can disrupt organizational processes, reduce team effectiveness, and result in the loss of valuable institutional knowledge. In public sector organizations, turnover intention is particularly critical because employee retention is closely linked to the continuity and quality of public service delivery.

Hypothesis Development

The forced ranking performance system has the potential to influence employees' perceptions of organizational justice. Systems that rely on predetermined performance distribution may undermine perceptions of distributive and procedural fairness, as employees may feel their ratings do not accurately reflect actual contributions.

H1: The forced ranking performance system negatively influences perceived organizational justice.

Organizational justice has been widely recognized as a key determinant of turnover intention. Employees who perceive fairness in organizational processes are more likely to remain committed to the organization, whereas perceptions of unfairness increase the likelihood of seeking employment elsewhere.

H2: Perceived organizational justice negatively influences employee turnover intention.

The forced ranking system may directly influence employee turnover intention. Employees who experience intense competition or unfair classification may develop stress and dissatisfaction that increases their intention to leave the organization.

H3: The forced ranking performance system positively influences employee turnover intention.

Organizational justice is expected to mediate the relationship between forced ranking and turnover intention. When the forced ranking system reduces perceived fairness, this reduction in organizational justice in turn increases turnover intention, highlighting the indirect pathway through which performance management policies affect employee retention.

H4: Organizational justice mediates the relationship between the forced ranking performance system and employee turnover intention.

RESEARCH METHODS

Research Design and Setting

This study adopts a quantitative research approach employing a cross-sectional survey design to examine causal relationships among the forced ranking performance system, organizational justice, and employee turnover intention. The study was conducted within a public social security organization, a public social security organization in Indonesia responsible for managing employment-based social protection programs.

Sampling and Data Collection

The population consists of all employees of the organization, including managerial and non-managerial staff. This study used purposive sampling based on the following criteria: (1) employees who have been working in the organization for at least one year; (2) employees who have experienced the performance appraisal process; and (3) employees who are actively involved in organizational operations. Based on the requirements of Structural Equation Modeling (SEM), which recommends 5–10 observations per indicator (Hair et al., 2019), a minimum sample of 100

respondents was established. Data were collected through a structured questionnaire distributed via an online platform (Google Forms).

Variable Measurement

All variables were measured using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The Forced Ranking Performance System (FR) was measured using 5 indicators adapted from Scullen et al. (2005), capturing employees' perceptions of competitive classification and relative evaluation. Organizational Justice (OJ) was measured using 6 indicators based on Colquitt (2001), covering distributive, procedural, and interactional justice dimensions. Turnover Intention (TI) was measured using 4 indicators adapted from Hom et al. (2017), reflecting employees' conscious intention to leave the organization.

Descriptive Statistics and Reliability

Table 1 presents the descriptive statistics and Cronbach's alpha reliability coefficients for all three variables based on 100 respondents.

Table 1. Descriptive Statistics and Reliability

Variable	N	Mean	Std. Dev.	Min	Max	Cronbach's α
Forced Ranking (FR)	100	3.310	0.631	2.00	4.60	0.841
Organizational Justice (OJ)	100	2.410	0.595	1.33	4.50	0.846
Turnover Intention (TI)	100	1.772	0.568	1.00	3.25	0.801

Source: Primary data processed (2025)

All three constructs demonstrate adequate reliability, with Cronbach's alpha values exceeding the threshold of 0.70 recommended by Nunnally (1978). The mean score for Forced Ranking ($M = 3.31$) indicates a moderate to high perception of competitive evaluation, while Organizational Justice ($M = 2.41$) reflects relatively low perceived fairness. Turnover Intention ($M = 1.77$) suggests moderate intention levels among respondents.

Correlation Analysis

Table 2 presents the Pearson correlation matrix among the three variables.

Table 2. Pearson Correlation Matrix

Variable	FR	OJ	TI
Forced Ranking (FR)	1.000		
Organizational Justice (OJ)	-0.544**	1.000	
Turnover Intention (TI)	0.503**	-0.515**	1.000

Source: Primary data processed (2025). ** $p < 0.01$

The correlation matrix reveals significant negative correlation between forced ranking and organizational justice ($r = -0.544$, $p < 0.01$), and significant positive correlation between forced ranking and turnover intention ($r = 0.503$, $p < 0.01$). Additionally, organizational justice is significantly negatively correlated with turnover intention ($r = -0.515$, $p < 0.01$). These patterns provide preliminary support for the proposed hypotheses.

RESULTS AND DISCUSSION

Hypothesis Testing Results

Table 3 summarizes the results of the regression analyses for all four hypotheses.

Table 3. Hypothesis Testing Results

Hypothesis	Path	β	R^2	p-value	Result
H1	FR $\rightarrow$ OJ	-0.513	0.296	< 0.001	Supported
H2	OJ $\rightarrow$ TI	-0.492	0.265	< 0.001	Supported
H3	FR $\rightarrow$ TI	0.452	0.253	< 0.001	Supported
H4 (Sobel)	FR $\rightarrow$ OJ $\rightarrow$ TI (indirect = 0.168)	—	—	0.002	Supported

Source: Primary data processed (2025)

H1: Effect of Forced Ranking on Organizational Justice

The results indicate a significant negative relationship between the forced ranking performance system and perceived organizational justice ($\beta = -0.513$, $R^2 = 0.296$, $p < 0.001$), supporting H1. This finding suggests that as employees perceive greater reliance on forced ranking in performance evaluation, their perception of organizational justice decreases significantly. The relatively high R^2 value of 0.296 indicates that the forced ranking system explains approximately 29.6% of the variance in organizational justice perceptions. This result is consistent with organizational justice theory, which posits that systems relying on rigid predetermined quotas may undermine perceptions of both distributive and procedural fairness (Colquitt, 2001). When employees feel their performance ratings are constrained by quota systems rather than reflecting actual contributions, trust in the evaluation process erodes. These findings align with previous studies by Scullen et al. (2005) and DeNisi and Murphy (2017), who similarly found that forced ranking approaches reduce perceived fairness in performance evaluation.

H2: Effect of Organizational Justice on Turnover Intention

A significant negative relationship was found between organizational justice and turnover intention ($\beta = -0.492$, $R^2 = 0.265$, $p < 0.001$), supporting H2. Employees who perceive higher levels of organizational fairness demonstrate significantly lower intentions to leave the organization. This result is consistent with the broader organizational justice literature, which consistently demonstrates that fairness perceptions are a key predictor of employee retention (Cropanzano et al., 2007). In the context of a public social security organization, where institutional continuity is paramount for effective service delivery, these findings underscore the critical importance of maintaining fair performance evaluation processes to retain qualified employees.

H3: Direct Effect of Forced Ranking on Turnover Intention

The forced ranking system was found to have a significant positive direct effect on employee turnover intention ($\beta = 0.452$, $R^2 = 0.253$, $p < 0.001$), supporting H3. Higher perceptions of forced ranking practices are associated with greater intention to leave the organization. This finding suggests that the competitive and comparative nature of forced ranking may directly increase stress, dissatisfaction, and uncertainty among employees, regardless of their fairness perceptions. Employees who are consistently assigned to lower performance categories may feel demotivated and undervalued, while even high-performing employees may be affected by the competitive environment created by such systems. These results extend findings from private sector studies to a public sector context, indicating that the adverse effects of forced ranking are not limited to commercially oriented organizations.

H4: Mediating Role of Organizational Justice

The Sobel test confirmed a significant indirect effect of the forced ranking system on turnover intention through organizational justice (indirect effect = 0.168, $Z = 3.056$, $p = 0.002$), supporting H4. The presence of both significant direct and indirect effects indicates partial mediation, meaning organizational justice partially explains the mechanism through which forced ranking influences turnover intention. This finding aligns with the theoretical proposition that performance management systems affect employee behavioral outcomes not only directly but also through their impact on fairness perceptions. The partial mediation result implies that both the direct competitive pressure of forced ranking and its erosion of fairness perceptions contribute independently to increased turnover intention. Organizations implementing forced ranking systems should therefore address both the competitive dynamics and the fairness concerns associated with such systems.

CONCLUSION

This study examined the influence of the forced ranking performance system on employee turnover intention and the mediating role of perceived organizational justice within a public social security organization in Indonesia. Based on data from 100 respondents analyzed using regression and mediation analysis, all four hypotheses were supported.

The findings demonstrate that the forced ranking system negatively influences perceived organizational justice, positively influences turnover intention, and that organizational justice partially mediates this relationship. These results highlight the inherent tension between performance differentiation mechanisms and the fairness expectations of employees, particularly in public sector institutions where equity and procedural fairness are highly valued.

The practical implications of this study suggest that organizations implementing forced ranking systems should invest in transparent communication, clear evaluation criteria, and employee participation mechanisms to mitigate reductions in perceived fairness. Human resource practitioners should consider incorporating elements of procedural and interactional justice into performance management design to reduce the adverse effects on employee retention.

This study is not without limitations. The cross-sectional design limits causal inference, and the sample was restricted to a single organization. Future research should employ longitudinal designs and examine additional mediating variables, such as job satisfaction and organizational commitment, to provide a more comprehensive understanding of how performance management systems affect human capital sustainability in public sector institutions.

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