

EXAMINING THE EFFECT OF PERFORMANCE APPRAISAL ON JOB SATISFACTION AND EMPLOYEE PERFORMANCE IN AN INDONESIAN PUBLIC ORGANIZATION

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Abstract

This study aims to examine the effect of performance appraisal on job satisfaction and employee performance at BPJS Ketenagakerjaan Semarang Majapahit. The research applies a descriptive quantitative approach with a verification method. The population consists of 40 permanent employees, and a saturated sampling technique is employed, where all members of the population are used as respondents. Data are collected through a structured questionnaire using a Likert scale and analyzed using Structural Equation Modeling Partial Least Squares (SEM-PLS). The results reveal that performance appraisal has a positive and significant effect on job satisfaction, indicating that fair, transparent, and objective evaluation processes enhance employees' sense of recognition and satisfaction. Furthermore, performance appraisal also has a positive and significant effect on employee performance, suggesting that constructive feedback and recognition encourage employees to improve their work outcomes. The model demonstrates strong explanatory power, indicating that performance appraisal plays a crucial role in shaping both employee attitudes and performance. This study provides practical implications for organizations, particularly in the public sector, to strengthen performance appraisal systems by emphasizing fairness, transparency, and developmental feedback to improve overall organizational effectiveness.

Keywords: Performance Appraisal, Job Satisfaction, Employee Performance, SEM-PLS, Public Sector Organization

INTRODUCTION

The Badan Penyelenggara Jaminan Sosial Ketenagakerjaan, widely known as BPJS Ketenagakerjaan, was established as a transformation of PT Jamsostek (Persero) under Law Number 24 of 2011 concerning Social Security Administering Bodies and officially commenced operations on July 1, 2015. As a state-mandated institution, BPJS Ketenagakerjaan is responsible for delivering social security programs aimed at providing socio-economic protection to the workforce through schemes such as Old Age Security, Work Accident Insurance, Death Benefits, Pension Security, and Job Loss Insurance. In fulfilling this mandate, the organization is required to maintain high service standards for participants and stakeholders, thereby placing significant emphasis on the quality and performance of its human resources.

Human resources play a pivotal role in achieving organizational objectives, particularly in public sector institutions where service delivery and accountability are paramount. Employees are expected to consistently meet service expectations and adapt to evolving stakeholder needs. Consequently, organizations must ensure that their human capital is effectively managed and continuously developed. One of the most critical mechanisms in human resource management is performance appraisal, which serves as a systematic process for evaluating employee performance and guiding improvement efforts. Prior research suggests that effective performance appraisal systems can enhance both individual and organizational outcomes by identifying performance gaps, supporting employee development, and sustaining competitive advantage.

Empirical studies have demonstrated the positive role of performance appraisal across various sectors and countries. For instance, prior research in the Indonesian telecommunications sector indicates that performance appraisal significantly improves employee performance. Similarly, studies conducted in Pakistan's banking sector and Zambia's education sector report that performance appraisal positively influences both employee performance and job satisfaction. Evidence from Greece further supports the role of performance appraisal in enhancing employee performance within human resource departments.

Despite these findings, the existing literature presents inconsistent results. Some studies indicate that while performance appraisal improves job satisfaction, its effect on employee performance may not always be statistically significant. These mixed findings highlight the need for further investigation, particularly in different institutional and sectoral contexts, to better understand the conditions under which performance appraisal is most effective.

This study addresses this gap by examining the impact of performance appraisal on job satisfaction and employee performance within BPJS Ketenagakerjaan Semarang Majapahit, a non-ministerial public institution in Indonesia. Unlike prior studies that predominantly focus on private sector organizations or different national contexts, this research contributes by exploring a public sector setting characterized by unique bureaucratic structures, reward mechanisms, and organizational cultures.

By situating the analysis within this institutional context, this study aims to extend the existing body of knowledge by providing cross-sectoral insights into the effectiveness of performance appraisal systems. Specifically, it seeks to offer a deeper understanding of how performance appraisal influences employee attitudes and performance outcomes in public organizations. Ultimately, the findings are expected to contribute both theoretically, by enriching the human resource management literature, and practically, by informing policy and managerial practices in public sector institutions.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Social Exchange Theory explains that relationships among individuals within an organization are formed based on the principle of reciprocity, where interactions involve mutual giving and receiving (Kilroy et al., 2023). This theory is grounded in the assumption that every social interaction involves rational considerations of the benefits and costs individuals derive from their relationships with others or with the institution in which they work (Cao et al., 2022). In an organizational context, this theory illustrates how employees evaluate whether they receive fair returns for their contributions, both in material forms such as salary and bonuses, and in non-material forms such as recognition, trust, and emotional support (Ahmad et al., 2023).

Performance appraisal is defined as the process of evaluating employees to determine the extent to which they perform their jobs in accordance with established performance standards (Bhattacharyya, 2011). It represents a systematic process conducted by organizations to assess and evaluate employee performance based on predetermined criteria and benchmarks (Tarigan et al., 2025). Through this process, organizations can better understand how effectively employees carry out their duties, responsibilities, and achieve organizational targets (Dasanayaka et al., 2021).

Job satisfaction refers to a positive emotional state that arises when individuals perceive that their job fulfills their expectations, needs, and personal values (Toropova et al., 2021). It reflects the extent to which employees experience comfort, appreciation, and a sense of meaning in performing their work tasks (Al-maaitah et al., 2021). In an organizational setting, job satisfaction serves as a key indicator of the balance between what employees contribute such as time, effort, and skills and what they receive from the organization, including compensation, career development opportunities, a supportive work environment, and harmonious interpersonal relationships (Hakami, 2024).

Job performance refers to the level of effectiveness with which an individual carries out tasks associated with their role in the workplace (Pacheco et al., 2023). This concept encompasses how well an individual meets role expectations in terms of both the quantity and quality of work, as well as their contribution to achieving overall organizational goals (López-Cabarcos et al., 2022). Job performance is not only assessed based on outcomes but also on the processes involved, such as efficiency, innovation, and timeliness (Mardikaningsih & Darmawan, 2022). Furthermore, job performance is closely linked to evaluation processes, both formal and informal, which are typically conducted to assess the extent to which individuals meet organizational targets (Liu et al., 2023).

Table 1. Previous Studies

Author(s)	Year	Variables	Method	Sample	Findings
Ardiza et al.	2021	Performance Appraisal, Compensation → Employee Performance	PLS-SEM	76 employees (Telecommunications, Indonesia)	Performance appraisal has a positive effect on employee performance
Shah et al.	2024	Performance Appraisal → Employee Performance	PLS-SEM	384 employees (Banking sector, Pakistan)	Performance appraisal positively affects employee performance
Makombo et al.	2024	Performance Appraisal → Employee Performance	Multiple Linear Regression (SPSS)	110 employees (Education sector, Zambia)	Performance appraisal has a positive effect on employee performance
Kalogiannidis et al.	2025	Performance Appraisal → Employee Performance	Multiple Linear Regression (SPSS)	400 professionals (HR Department, Greece)	Performance appraisal positively influences employee performance
Subekti	2021	Performance Appraisal → Job Satisfaction, Employee Performance	PLS-SEM	140 employees (PT Pupuk Kaltim, Indonesia)	Positive effect on job satisfaction, no significant effect on employee performance
Dasanayaka et al.	2021	Performance Appraisal → Job Satisfaction	PLS-SEM	59 employees (Higher Education, UK)	Performance appraisal positively affects job satisfaction
Hassan et al.	2022	Performance Appraisal → Job Satisfaction	PLS-SEM	214 employees (Government sector, Pakistan)	Performance appraisal positively affects job satisfaction

Source: Processed by the author

Relationships Among Variables and Hypotheses Development

Performance appraisal reflects how organizations value employees' contributions and achievements. When appraisal processes are conducted in a fair, transparent, and objective manner, employees are more likely to feel recognized for their efforts and dedication (Hassan et al., 2022). This sense of recognition fosters job satisfaction, as employees perceive that their efforts are meaningful and appropriately rewarded by the organization (Tarigan et al., 2025). Previous studies have consistently demonstrated that performance appraisal has a positive effect on job satisfaction (Subekti, 2021; Dasanayaka et al., 2021; Hassan et al., 2022). Based on the theoretical framework and prior empirical findings, the following hypothesis is proposed:

H1: Performance appraisal has a positive effect on job satisfaction.

Performance appraisal not only serves as an evaluation tool but also functions as a communication mechanism between supervisors and subordinates to better understand employees' strengths, weaknesses, and development potential (Dangol, 2025). When employees receive objective and constructive feedback, they tend to feel valued and become more motivated to improve and enhance their future performance (Ardiza et al., 2021). Furthermore, performance appraisal enables organizations to identify appropriate training and development needs for each individual (Bhattacharyya, 2011). By recognizing areas that require improvement, organizations can design relevant development programs to continuously enhance employees' skills and competencies (Kalogiannidis et al., 2025). Prior research has shown that performance appraisal positively influences employee performance (Ardiza et al., 2021; Shah et al., 2024; Kalogiannidis et al., 2025). Based on the theoretical and empirical evidence, the following hypothesis is proposed:

H2: Performance appraisal has a positive effect on employee performance.

Conceptual Framework

Based on the theoretical foundations, previous studies, and the relationships among variables, the conceptual framework of this study is presented as follows.

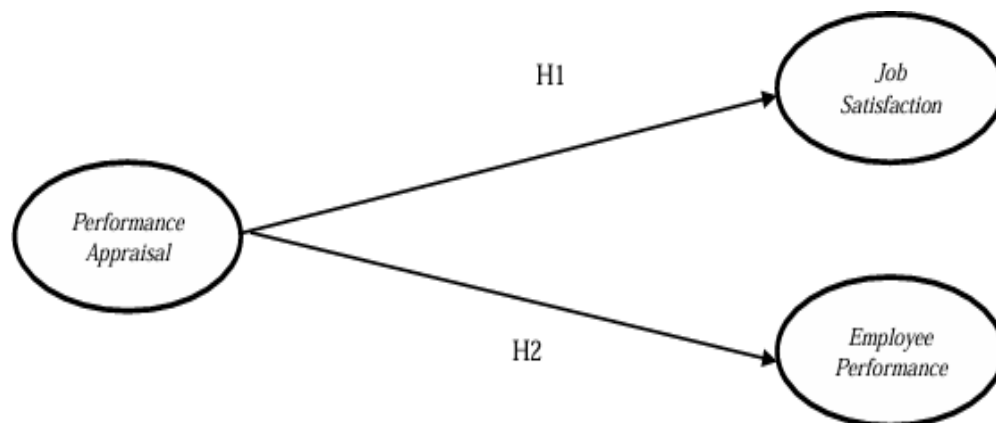


Figure 1. Conceptual Framework

This study employs a quantitative descriptive approach combined with a verificative research method. The quantitative descriptive approach aims to describe phenomena or events that occur, where such phenomena can be measured and represented in numerical data (Sugiyono, 2020). Meanwhile, the verificative method is intended to examine the relationships between two or more variables, as well as to test causal relationships or the influence proposed in the research hypotheses (Arikunto, 2020).

The population of this study consists of 40 permanent employees of BPJS Ketenagakerjaan Semarang Majapahit, excluding those holding structural positions. The sampling technique used is a saturated sampling method, in which the entire population is included as the research sample. Data were collected through a questionnaire distributed via Google Forms, with questions and measurement scales designed to capture the variables under study using a Likert scale. The

questionnaire link was then distributed to all respondents. After data collection, the analysis was conducted using SmartPLS software to perform statistical testing and to evaluate the proposed research hypotheses.

RESEARCH METHODS

Data Analysis

This study was conducted at BPJS Ketenagakerjaan Semarang Majapahit involving 40 respondents. The demographic data collected from respondents include gender, age, education level, and years of service.

Table 2. Respondent Profile

Respondent Profile	Frequency (f)	Percentage (%)
Gender		
Male	22	55
Female	18	45
Age		
< 30 years	11	28
30–40 years	22	55
> 40 years	7	17
Education		
Diploma (D3)	6	15
Bachelor's Degree (S1)	28	70
Master's Degree (S2)	6	15
Years of Service		
5–10 years	24	60
> 10 years	16	40

Source: Processed by the author

This Based on the distribution of respondent data, the majority of employees at BPJS Ketenagakerjaan Semarang Majapahit are male, accounting for 22 individuals or 55% of the total respondents. The findings indicate that positions and functional roles within this institution are still relatively dominated by male employees, particularly in operational and field service divisions. However, the presence of female employees, accounting for 45% of the respondents, reflects a fairly balanced gender composition in the workplace, especially in administrative and customer service roles.

In terms of age, the majority of respondents fall within the 30–40 years age group (55%), suggesting that most employees are in their productive and professionally mature stage. This age group typically demonstrates a balance between work experience and innovative capacity. Meanwhile, employees under the age of 30 account for 11 individuals (28%), indicating ongoing workforce regeneration within the branch. Employees aged over 40 (17%) represent senior staff who play a crucial role in maintaining organizational stability and facilitating knowledge transfer.

From an educational perspective, most respondents hold a bachelor's degree (S1), comprising 28 individuals (70%), followed by master's degree holders (S2) and diploma graduates (D3), each accounting for 6 individuals (15%). The dominance of bachelor's degree holders suggests that the institution places strong emphasis on academic competence and professionalism, particularly in strategic and analytical roles. The presence of employees with master's degrees further indicates enhanced capacity in policy understanding and public service management.

Regarding tenure, the majority of respondents have 5–10 years of work experience (60%), while the remaining 40% have more than 10 years of service. This composition reflects a balance between experienced employees and mid-career staff who are in their peak performance phase.

Long-tenured employees contribute to maintaining organizational continuity and culture, while relatively newer employees play a significant role in technological adaptation and service innovation.

Outer Model Analysis

The outer model analysis in the Partial Least Squares (PLS) approach represents the initial stage used to assess the relationship between indicators and latent variables within the research model. The outer model, also referred to as the measurement model, aims to ensure that the indicators employed accurately represent the constructs or latent variables being measured.

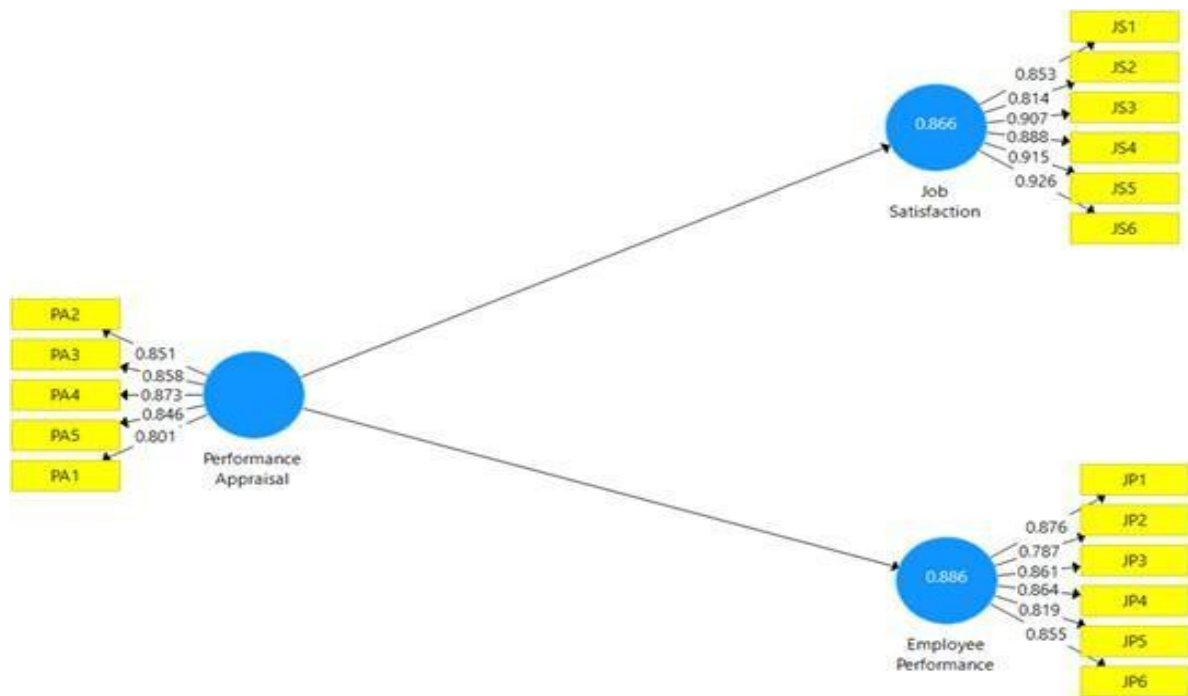


Figure 2. Outer Model

In the outer model evaluation, three latent variables are examined, each represented by their respective measurement indicators. Performance appraisal is measured using five indicators, job satisfaction is measured using six indicators, and employee performance is measured using six indicators.

At the initial stage, the outer model analysis is conducted by evaluating the outer loading values and the Average Variance Extracted (AVE), as presented below.

Table 3. Outer Loading Value and AVE

Variabel	Item	Outer Loading Value	AVE Value
Performance Appraisal	PA1	0.801	0.716
	PA2	0.851	
	PA3	0.858	
	PA4	0.873	
	PA5	0.846	
Job Satisfaction	JS1	0.853	0.782
	JS2	0.814	
	JS3	0.907	
	JS4	0.888	
	JS5	0.915	
	JS6	0.926	

Employee Performance	JP1	0.876	0.713
	JP2	0.787	
	JP3	0.861	
	JP4	0.864	
	JP5	0.819	
	JP6	0.855	

Source: Processed by the author

Based on Table 3, all measurement items demonstrate outer loading values above 0.70, indicating that the latent variables adequately explain their respective indicators. Furthermore, the Average Variance Extracted (AVE) values for each variable exceed the threshold of 0.50. Therefore, it can be concluded that all variables meet the criteria for convergent validity.

Table 4. Discriminant Validity Value Fornell Lacker Criterion

Variabel laten	Employee Performance	Job Satisfaction	Performance Appraisal
Employee Performance	0.961		
Job Satisfaction	0.949	0.968	
Performance Appraisal	0.939	0.956	0.946

Source: Processed by the author

Based on the table above, it can be observed that the diagonal values for each variable are higher than their correlations with other variables. This indicates that each construct demonstrates adequate discriminant validity, meaning that the indicators associated with each latent variable are able to distinctly represent their respective constructs.

Table 5. Reability Result

No	Variabel	Cronbach's Alpha	Composite Reliability	Exp
1	Performance Appraisal	0.919	0.937	Reliable
2	Job Satisfaction	0.944	0.956	Reliable
3	Employee Performance	0.901	0.926	Reliable

Source: Processed by the author

Based on the SmartPLS output presented in the table above, all constructs exhibit Cronbach's alpha values above 0.70 and composite reliability values above 0.80. Therefore, it can be concluded that all variables are reliable, as they meet the minimum thresholds for Cronbach's alpha and composite reliability. These results indicate that the questionnaire satisfies the reliability criteria, meaning it is capable of producing consistent and dependable data.

Inner Model Analysis

The inner model analysis in the Partial Least Squares (PLS) approach is conducted to examine the relationships among latent variables based on the conceptual framework established in this study.

Table 6. Coefficient of Determination

No	Item	R Square	R Square Adjusted
1	Job Satisfaction	0.866	0.862
2	Employee Performance	0.886	0.883

Source: Processed by the author

Based on the table above, the coefficient of determination (R^2) for job satisfaction is 0.866, indicating a high level of explanatory accuracy. Similarly, the R^2 value for employee performance is 0.886, which also reflects strong predictive accuracy. These high R^2 values suggest that the model is robust and demonstrates a strong explanatory power. This implies that the model is capable of effectively capturing the relationships among the variables under study and providing reliable predictions.

A robust model tends to be stable and consistent when applied to different sample data or similar contexts, thereby enhancing the credibility and generalizability of the research findings. Model fit analysis in Structural Equation Modeling (SEM) is conducted to evaluate the extent to which the proposed theoretical model fits the empirical data. The following section presents the results of the model fit analysis.

Table 7. Fit Model Analysis

No	Item	R Square	R Square Adjusted
1	Job Satisfaction	0.866	0.862
2	Employee Performance	0.886	0.883

Source: Processed by the author

Table 7 indicates that the research model demonstrates a good fit and is consistent with the analyzed data, meaning that the model accurately represents the underlying structural relationships within the dataset. This is evidenced by the Standardized Root Mean Square Residual (SRMR) value of 0.055, which is below the threshold of 0.08, and the Normed Fit Index (NFI) value of 0.807, which exceeds the recommended threshold of 0.80.

The analysis of structural model coefficients is conducted to determine which relationships are statistically significant. A relationship is considered significant if the p-value is less than the significance level ($\alpha = 0.05$). Conversely, if the p-value exceeds 0.05, the relationship is considered not significant. The results of the structural model coefficient analysis are presented in the following figure.

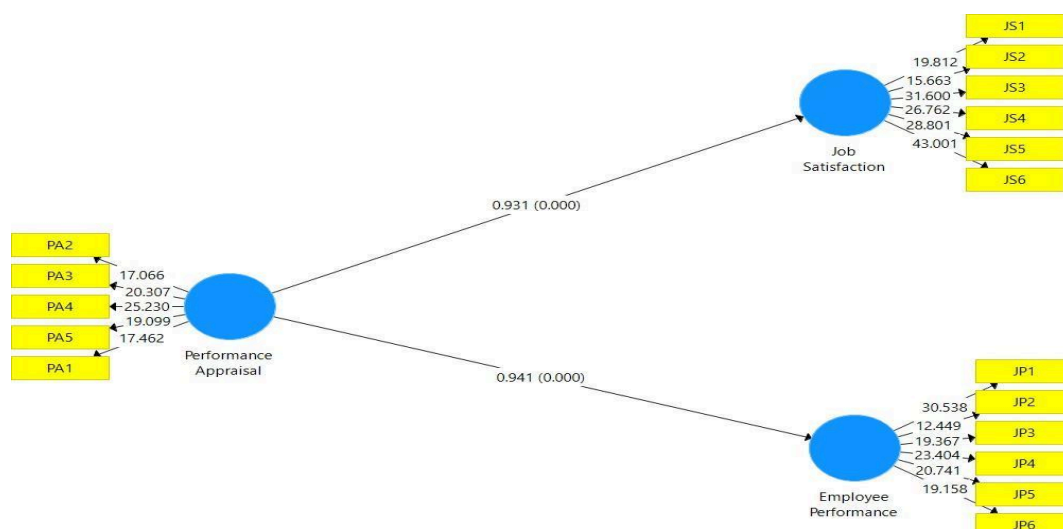


Figure 3. Structural Model Coefficient Analysis

Table 8. Structural Model Path Coefficients and Significance Testing Results

Hipt.	Hubungan Variabel	Koefisien β	t Statistik	p Values	Exp.
H1	Performance Appraisal => Job Satisfaction	0.963	141.142	0.000	Accepted
H2	Performance Appraisal => Employee Performance	0.750	9.442	0.000	Accepted

Source: Processed by the author

RESULTS AND DISCUSSION

Based on the analysis, all path coefficients show p-values less than 0.05. Therefore, it can be concluded that performance appraisal has a positive effect on both job satisfaction and employee performance. Performance appraisal has a positive effect on job satisfaction, as an effective appraisal process enables employees to feel recognized and appreciated for their efforts and contributions to the organization. When the appraisal process is conducted objectively, transparently, and fairly, employees perceive that their performance is evaluated accurately. This sense of recognition fosters intrinsic satisfaction and motivates employees to perform better, as they perceive a clear linkage between performance, recognition, and career development opportunities. These findings are consistent with previous studies demonstrating that performance appraisal positively influences job satisfaction (Subekti, 2021; Dasanayaka et al., 2021; Hassan et al., 2022).

Performance appraisal also has a positive effect on employee performance at BPJS Ketenagakerjaan Semarang Majapahit. A well-implemented appraisal system fosters a reciprocal relationship between the organization and its employees. From the perspective of Social Exchange Theory, this relationship can be understood as a social exchange process in which the organization provides evaluation, feedback, and recognition, while employees respond by improving their performance. In this context, a transparent and development-oriented appraisal system helps build trust between employees and management.

Moreover, the appraisal process not only focuses on evaluating outcomes but also provides employees with opportunities to identify areas for improvement and potential for development. As a result, performance appraisal functions not merely as an administrative tool but also as a strategic mechanism for strengthening the social relationship between the organization and its employees. These findings are in line with previous studies indicating that performance appraisal positively affects employee performance (Ardiza et al., 2021; Shah et al., 2024; Kalogiannidis et al., 2025).

CONCLUSION

Based on the findings, it can be concluded that performance appraisal has a positive effect on both job satisfaction and employee performance at BPJS Ketenagakerjaan Semarang Majapahit. The implications of these findings suggest that performance appraisal should not merely function as an administrative tool for evaluating employee performance, but also as a managerial instrument capable of fostering job satisfaction, commitment, and sustained employee motivation.

Furthermore, this study provides practical implications for the management of BPJS Ketenagakerjaan to continuously strengthen performance appraisal mechanisms through a developmental approach. This implies that appraisal processes should not only focus on evaluating outcomes but also serve as a two-way communication platform between supervisors and employees to identify training needs, support career development, and ensure appropriate recognition. Such an approach is expected to enhance employees' sense of fairness and loyalty, while simultaneously improving overall organizational effectiveness.

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