The Influence of Work Flexibility and Compensation on Employee Performance among the Millennial Generation

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Abstract. *The millennial generation that now dominates the world of work tends to prioritize work flexibility and compensation to improve their performance in the work environment. Work flexibility is considered as one of the important factors that can improve employee productivity and performance. Fair and competitive compensation is also a crucial aspect in motivating employees to achieve optimal performance. This study aims to determine the effect of work flexibility and compensation on the performance of millennial generation employees in insurance companies in Indonesia. This study is a quantitative study by distributing questionnaires using a Likert scale with a sample of 198 millennial generation employees in insurance companies spread throughout Indonesia. The data that has been collected will be analyzed using multiple linear regression analysis tools to test the influence between variables through the IBM SPSS 26 application. The results of this study support the proposed hypothesis, namely that work flexibility has a positive and significant effect on employee performance and compensation has a positive and significant effect on employee performance. The findings of this study provide implications for company management in designing work flexibility policies that provide freedom for employees to determine their start and finish hours, so that optimal employee welfare and performance are created. In addition, it is important for companies to periodically review the salary structure to remain competitive and in accordance with employee expectations, in order to maintain a high level of satisfaction. In addition, companies must strive to build and maintain a positive image in the eyes of employees and the wider community, so that any criticism that arises can be responded to wisely without reducing employees' sense of loyalty to the company.*

Keywords: Compensation, Employee Performance, Millennial Generation, Work Flexibility.

1. INTRODUCTION

The demographic shift in the workforce, particularly with the integration of millennial employees, has significantly transformed contemporary organizational dynamics. Millennials, born between 1981 and 1996, represent one of the largest population segments in the workforce, comprising approximately 25.87% of the total population (Databooks.katadata.co.id, 2020). This generation presents unique challenges for managers—predominantly from Generation X—who are responsible for developing these young employees into valuable organizational assets (Setiyani et al., 2020). Millennials demonstrate distinctive characteristics compared to previous generations; they possess strong convictions and are willing to resign when their requirements remain unfulfilled (Fenich et al., 2014). While they may exhibit individualistic tendencies and reduced empathy, millennials simultaneously demonstrate notable positive attributes including optimism, self-confidence, and commitment to delivering superior performance (Wolor et al., 2021). Their technological proficiency enables them to readily adapt to remote work arrangements, and they demonstrate remarkable

capacity for viewing challenges and opportunities through innovative perspectives (Myers & Sadaghiani, 2010; Camp et al., 2022).

Research findings from a survey of 8,412 millennial respondents reveal their predominant workplace preferences: 39% prioritize work-life balance, 29% value learning and development opportunities, 27% emphasize financial compensation and benefits, 26% seek meaningful work, 24% desire clear advancement paths, 23% value positive workplace culture, and 21% prioritize workplace flexibility (Databoks.katadata.co.id, 2020). Millennials exhibit distinctive behaviors compared to preceding generations, contributing to emerging phenomena such as increased employment mobility. They seek workplace flexibility, including remote work options, while adequate compensation remains a critical factor in motivating performance (Yunita & Saputra, 2019). Millennials frequently struggle to achieve equilibrium between professional responsibilities and personal commitments (Waworuntu et al., 2022), prioritizing work-life balance, workplace flexibility, supportive environments, and financial compensation (Deti et al., 2023; Setiyani et al., 2020; Saman, 2020).

Employee performance represents behaviors or actions associated with organizational objective achievement (Koopmans et al., 2014) and functions as a critical indicator of organizational success (Najib, 2019; Iptian et al., 2020). Performance reflects individual or group achievement levels in completing tasks aligned with organizational objectives. Workplace flexibility offers a balance between professional and personal domains, resulting in enhanced job satisfaction and performance (Luh et al., 2024). Implementing appropriate workplace flexibility measures can improve millennials' work-life balance, subsequently enhancing job satisfaction and performance. Flexibility provides autonomy for employers and employees while potentially improving future employee health and safety outcomes and organizational performance (Jimad et al., 2024; Atkinson & Hall, 2011; Civilidag & Durmaz, 2024). Concurrently, compensation represents one of the most powerful organizational tools for influencing employees. Organizations must manage compensation equitably, as employee satisfaction tends to decrease when compensation is perceived as disproportionate to work performance (Kenelak et al., 2016). Compensation functions as a motivational instrument to enhance job satisfaction and performance, encompassing all forms of remuneration received by employees for their contributions (Prasetio et al., 2019; Rinny et al., 2020; Prasetyo et al., 2021).

Research conducted by Alanazi & Ul Hadi (2024), Ghanem et al. (2021), and Bett et al. (2022) demonstrates that workplace flexibility significantly and positively influences employee performance, though Irwansyah & Kiki Farida Ferine (2024) found no direct relationship between these variables. Similarly, studies by Lipuku et al. (2022), Arif et al. (2019), and Beede Emerole & Ogbu Edeh (2017) establish that compensation significantly and positively affects employee performance, while Pristiawati & Santoso (2021) determined that compensation has a negative and insignificant influence on performance. Given these contradictory findings and research gaps—particularly regarding generational differences in preferences for flexibility and compensation—further investigation is warranted to comprehensively understand how workplace flexibility functions across diverse contexts, especially for millennial employees in the Indonesian insurance sector.

This research aims to provide comprehensive insights into the influence of workplace flexibility and compensation on millennial employee performance within the Indonesian insurance sector. The significance of this investigation lies in addressing critical contemporary workforce challenges, as millennials demonstrate distinct preferences for comfortable work environments with high flexibility and competitive compensation. The findings will contribute valuable theoretical and practical insights, enabling academic discourse advancement while providing insurance companies with empirical foundations for developing more effective employment policies tailored to millennial preferences. By understanding how workplace flexibility and compensation dynamics influence millennial performance, organizations can implement strategic initiatives that enhance employee productivity and facilitate optimal organizational objective achievement.

2. LITERATURE REVIEW

Work Flexibility

Flexible working arrangements refer to non-traditional employment structures that allow employees greater autonomy in determining their work schedules and locations. Unlike conventional setups that mandate fixed hours and on-site presence, flexible work emphasizes adaptable schedules and remote work options aligned with formal organizational policies (Stella, 2020; Ray & Pana-Cryan, 2021). This model is designed not only to enhance employees' work-life balance but also to align with corporate goals, thus improving job satisfaction and performance (Davidescu et al., 2020). Flexible work structures may include variations in scheduling, rest periods, job-sharing, and telecommuting, offering employees the ability to align their professional duties with personal obligations without breaching company

rules (Byden, 2016). Effective implementation requires clear and measurable company policies to ensure success. The objectives of such arrangements, according to Hill et al. (2008), serve both organizations—by enabling swift responses to shifting demands—and employees—by facilitating the integration of personal, familial, and community responsibilities. Ritawaty et al. (2024) emphasize that schedule flexibility fosters responsibility, reduces turnover, and supports talent retention.

Flexible working provides substantial benefits. It enhances productivity, job satisfaction, and morale while minimizing absenteeism and resignations (Selby & Wilson, 2001). Employees gain more family time, avoid stress from commuting, and experience improved health and motivation. Furthermore, flexible systems foster positive work environments, reduce conflicts, and offer space for skill development. They also save costs associated with workspace use. According to Ritawaty et al. (2024), key components include flexibility in work hours (e.g., compressed weeks or shifting schedules), total working hours (e.g., part-time roles or job-sharing), and work locations (e.g., remote work). Hill et al. (2001) categorize flexibility into two main indicators: *time flexibility*—employees choose when to work—and *place flexibility*—employees choose where to work. This study adopts these indicators to measure work flexibility.

Compensation

Compensation is a vital element of human resource management aimed at attracting, motivating, and retaining employees. Heneman and Schwab (1985) define compensation as the total remuneration received by employees for their contributions to the organization, encompassing base salary, benefits, incentives, and other forms of rewards. A well-structured and equitable compensation system enhances employee motivation and performance (Idris et al., 2020). Compensation extends beyond monetary value, incorporating non-financial benefits and career development opportunities. Kenelak et al. (2016) describe compensation as all income, whether in monetary or non-monetary form, provided directly or indirectly to employees in return for their service. Appropriately determined compensation significantly influences the performance of human resources and affects organizational efficiency (Sitopu & Marpaung, 2021). Additionally, adequate compensation is critical for an organization's sustainability amid competitive markets, providing employees with job satisfaction and security, which contributes to both individual and organizational success (Omuya, 2018). Effective compensation encourages employees to invest their knowledge, skills, time, and commitment, thereby enhancing productivity (Rinny et al., 2020).

The primary goals of compensation include aligning internal pay structures with external industry standards, ensuring fairness and equity, and supporting organizational strategy (Omuya, 2018; Risnawati, 2017). Milkovich, Newman, and Gerhart (2014) outline four main objectives: promoting organizational efficiency, ensuring fairness by recognizing contributions, and complying with relevant laws such as minimum wage and non-discrimination regulations. Heneman and Schwab (1985) further classify compensation into four dimensions: pay levels (competitiveness and fairness of salary), benefits (indirect financial support like insurance and leave programs), raises (salary increases based on performance and tenure), and structure and administration (internal salary structures and payment policies). These indicators are used in this study to evaluate compensation.

Employee Performance

Employee performance, often referred to as job performance, pertains to the measurable actions, behaviors, and outcomes employees contribute toward achieving organizational objectives (Koopmans et al., 2014). It reflects the overall success or output of an individual over a specific period in relation to predetermined standards, targets, or criteria (Andreas, 2022). Performance is evaluated not only by end results but also by the processes, interactions, and contexts in which work is conducted. It involves both the quality and quantity of output delivered by employees (Pangestu et al., 2022). Strong employee performance supports organizational goals and customer satisfaction, whereas poor performance can hinder productivity and operational efficiency (Najib, 2019). Performance also encompasses achievements influenced by factors such as education, motivation, initiative, and the ability to inspire others (Lipuku et al., 2022). These outcomes serve as feedback, encouraging continuous improvement and high-quality output. Thus, performance serves as a key element in human resource management, requiring a clear standard and effective evaluation systems to assess individual and team contributions accurately.

According to Koopmans et al. (2014), the primary purpose of employee performance is to enhance organizational efficiency by ensuring that individuals and teams align with strategic goals. High-performing employees significantly contribute to competitive advantage by executing tasks effectively (Caliskan & Koruglu, 2022). Najib (2019) identifies several objectives of employee performance: as a foundation for decisions on promotions, demotions, terminations, and compensation; to assess achievement levels; to evaluate company-wide effectiveness; to review training programs, work methods, organizational structure, supervision styles, and work conditions; to determine training needs; and to boost employee motivation. Caliskan and Koruglu (2022) highlight two core indicators of performance: task performance,

which refers to the quality and quantity of core job tasks managed under supervision, and contextual performance, which involves voluntary behaviors that foster a positive work environment, such as helping coworkers, adhering to rules, and supporting organizational goals. These indicators form the basis of the performance assessment used in this study.

3. METHODOLOGY

Research Design

The research design outlines the plan for collecting, measuring, and analyzing data based on the research questions. This study adopts a quantitative approach characterized by systematic, planned, and structured procedures from the planning phase to implementation. The data is analyzed statistically to test the proposed hypotheses. Causal research aims to determine whether changes in one variable cause changes in another (Sekaran & Bougie, 2016). This study is causal in nature, examining the cause-and-effect relationship between work flexibility (X1) and compensation (X2) on employee performance (Y), focusing on millennial employees in marketing positions within insurance companies in Indonesia.

Research Data Sources and Data Collection Methods

The data source utilized in this study is primary data, which refers to information directly collected by the researcher for the specific research topic. Primary data in this study is obtained through the distribution of questionnaires, a method involving written questions or statements addressed to respondents for their responses (Sekaran & Bougie, 2016). The questionnaires are administered to individuals who meet specific criteria, namely millennial employees occupying marketing positions in insurance companies across Indonesia. These respondents provide insights directly related to the study variables, ensuring the data collected aligns with the research objectives.

The method of data collection implemented in this research is the use of structured questionnaires. This technique gathers information regarding the respondents' opinions, attitudes, behaviors, or characteristics through a predefined set of questions (Sekaran & Bougie, 2016). The questionnaire employs a Likert scale with response options: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5) for positively worded statements, and the reverse scoring (5 to 1) for negatively worded ones. The questionnaires are distributed specifically to millennial employees working in the marketing divisions of insurance companies in Indonesia, allowing the study to obtain data that is relevant, valid, and applicable to the targeted population.

Population and Sample

The population refers to the complete group of individuals, events, or objects that attract the researcher's interest and serve as the primary focus of the study (Sekaran & Bougie, 2016). In this research, the population includes all individuals who possess specific characteristics relevant to the study. Specifically, the population comprises millennial employees who work in marketing positions within insurance companies in Indonesia. These individuals form the basis for drawing conclusions and making generalizations about the relationship between work flexibility, compensation, and employee performance.

The sample is a subset of the population selected to represent the larger group (Sekaran & Bougie, 2016). This study employs a non-probability sampling method, where not all population elements have an equal chance of being selected. The technique used is purposive sampling, which targets specific individuals who meet predetermined criteria and are deemed capable of providing relevant data. The sample criteria are: (1) employees aged 28–44 years, (2) employed in insurance companies, (3) working in marketing roles, (4) holding flexible job positions, and (5) residing in Indonesia. According to Hair et al. (2010), the sample size is calculated by multiplying the number of questionnaire items by 5 to 10. With 34 items, the sample size ranges from 170 to 340 respondents, and this study will adopt this range.

Operational Definition of Variables and Measurement

In this study, the research variables are divided into independent and dependent categories. A variable refers to a concept or phenomenon that can vary in value across different individuals or over time (Sekaran & Bougie, 2016). The independent variables in this study are work flexibility and compensation, both of which are expected to influence the dependent variable. An independent variable refers to a factor that has the potential to cause a change in the dependent variable—either positively or negatively. When the independent variable changes, it is expected that the dependent variable will also exhibit a corresponding increase or decrease (Sekaran & Bougie, 2016). The dependent variable is employee performance which represents the main focus of this study. It is the variable that researchers aim to examine and explain by exploring how it is influenced by other factors (Sekaran & Bougie, 2016). To provide clear direction and measurement, operational definitions for all variables are developed, drawing on established literature: work flexibility is based on Hill et al. (2001), compensation on Heneman and Schwab (1985), and employee performance on Caliskan and Koruglu (2022).

Operational definitions and measurement tools for each variable are presented through specific indicators assessed using a Likert scale. Work flexibility is defined as the extent to which employees can choose when, where, and how long they engage in work-related tasks. It is measured using two indicators: time flexibility and place flexibility, as proposed by Hill et al. (2001). Compensation refers to the rewards that employees receive in return for their contributions to the organization. This variable is measured using four indicators: pay levels, benefits, raises, and structure and administration, based on Heneman and Schwab (1985). Employee performance as the dependent variable, reflects the degree to which an individual meets or surpasses job expectations. It is assessed through task performance and contextual performance, following Caliskan and Koruglu (2022). Each variable is measured using a five-point Likert scale: 1 for Strongly Agree, 2 for Agree, 3 for Neutral, 4 for Disagree, and 5 for Strongly Disagree. Notably, reverse scoring is applied to negatively worded items. These detailed operational definitions ensure that all variables are clearly measurable and valid for statistical analysis in examining the influence of work flexibility and compensation on employee performance.

Research Instruments

The research instrument used in this study is designed to gather data needed to answer the research questions. It consists of a questionnaire with 40 items, created by adopting measures from established experts to assess three main variables. The first variable, work flexibility, is measured using 4 items based on Hill et al. (2001), which evaluate time and place flexibility. The second variable, compensation, includes 18 items adopted from Heneman and Schwab (1985), focusing on pay levels, benefits, raises, and structure and administration. The third variable, employee performance is assessed using 12 items drawn from Caliskan and Koruglu (2022), which measure task performance and contextual performance. These items were specifically developed to capture the relevant aspects of each variable, ensuring that the instrument effectively evaluates the factors influencing employee performance in relation to work flexibility and compensation (Hill et al., 2001; Heneman & Schwab, 1985; Caliskan & Koruglu, 2022).

The validity test aims to evaluate how accurately the measurement tool assesses the desired concept or objective (Sekaran & Bougie, 2016). In this study, validity is tested using IBM SPSS version 26 through factor analysis, where the instrument is considered valid if the KMO MSA (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) and Factor Loading values exceed 0.05 (Ghozali, 2017). The reliability test, on the other hand, measures the consistency of the instrument by calculating the correlation between tests administered at two different

times (Sekaran & Bougie, 2016). Cronbach's Alpha, calculated using IBM SPSS 26, determines reliability, with a value greater than 0.60 indicating reliability. For normality testing, the one-sample Kolmogorov-Smirnov test is employed using IBM SPSS 26. If the significance value is greater than 0.05, the data is considered normally distributed, whereas a value less than 0.05 indicates non-normality (Ghozali, 2017).

Data Analysis Methods and Hypothesis Testing

Multiple linear regression analysis is employed to identify the relationship between independent variables and the dependent variable, as well as to measure the strength of their influence. In this study, multiple regression analysis is used to examine the impact of work flexibility and compensation as independent variables on employee performance (Y) as the dependent variable. The regression model is expressed by the equation: $Y = a + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$, where Y represents employee performance, a is the constant, β_1 and β_2 are the regression coefficients for work flexibility and compensation, respectively, X1 and X2 are the independent variables, and ε denotes the standard error. The t-test is used to evaluate the individual effect of each independent variable on the dependent variable, determining whether they significantly influence it (Sekaran & Bougie, 2016). The hypothesis is supported if the significance value (sig) is less than 0.05, indicating a significant effect (Sekaran & Bougie, 2016).

4. RESULT AND DISCUSSION

Respondent Characteristics

Data collection was carried out by distributing questionnaires to millennial employees holding marketing positions in insurance companies across Indonesia. The distribution was conducted both online via Google Forms and offline through field visits. A total of 198 valid responses were obtained, with 15 responses from the offline method and 183 responses from the online method. Out of 204 received questionnaires, 6 were excluded due to data inconsistencies. The respondent characteristics section aims to describe the identities of the participants in this study. The respondents' demographic characteristics were analyzed based on gender, age group, marital status, highest education, length of service, and average monthly income. Table 4.2 provides a summary of these characteristics. Among the 198 respondents, 67% were female, and the majority, 130 respondents, were in the 28-31 age range, indicating that most participants were in their productive years. The highest number of respondents came from Java (79%). A majority, 65%, were married, and 59% had an average monthly income between Rp 1,000,000 and Rp 5,000,000. The educational background of most respondents

was a bachelor's degree (86%), and most had 1-3 years of work experience (49%). This data indicates that the millennial generation is active in the workforce, with a strong potential to enhance financial well-being as they gain experience and career advancement opportunities.

Table 1. Respondent Characteristics

Characteristic	Description	Total	Percentage
Gender	Male	65	33%
	Female	133	67%
Age	28-31	130	66%
	32-35	53	27%
	36-39	11	6%
	40-44	4	2%
Residence	Java	156	79%
	Sumatra	25	13%
	Kalimantan	5	3%
	Sulawesi	5	3%
	Bali & NT	5	3%
	Maluku & Papua	2	1%
Marital Status	Married	128	65%
	Single	70	35%
Highest Education	Diploma (D3)	21	11%
	Bachelor's (S1)	170	86%
	Master's (S2)	7	4%
Work Experience	<1 Year	15	8%
	1-3 Years	97	49%
	4-5 Years	70	35%
	>6 Years	16	8%
Monthly Income	< Rp 1,000,000	0	0%
	Rp 1-5 Million	117	59%
	Rp 6-10 Million	81	41%
	> Rp 10 Million	0	2%

Results of Research Instrument Test

The validity test was conducted using IBM SPSS 26, employing Confirmatory Factor Analysis (CFA) to examine the construct validity of the instruments. CFA is a statistical technique that confirms whether the theoretical model aligns with the factors in a concept. A questionnaire is considered valid if the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO MSA) and factor loading are greater than 0.50. In the initial validity test, conducted on 30 respondents, several statement items were found invalid due to factor loadings below 0.50. These items were excluded from further analysis, leaving a total of 27 valid items. Items from the compensation variable such as KOM5, KOM7, KOM12, and KOM18, as well as employee performance variables KIN1, KIN6, and KIN7, were removed from the study due to low factor loadings. The remaining valid items were retained for the analysis.

After confirming the validity of the statement items, a reliability test was performed using Cronbach's Alpha with IBM SPSS 26. The reliability of the instruments was deemed acceptable if the Cronbach's Alpha and the Cronbach's Alpha if Item Deleted values were greater than 0.60. The results of the reliability test for the work flexibility, compensation, and

employee performance variables revealed that all variables had Cronbach's Alpha values exceeding the threshold of 0.60. This confirms that all items in the questionnaire are reliable and suitable for further analysis, indicating that the instruments used in this study are both valid and reliable, allowing the research to proceed to the next analytical stage.

The normality test was conducted to determine whether the variables of work flexibility, compensation, and employee performance followed a normal distribution. The one-sample Kolmogorov-Smirnov test was applied, with the results showing an Asymp. Sig. (2-tailed) value of 0.200. Since this value is greater than 0.05, it can be concluded that the data are normally distributed. This indicates that the data from the three variables meet the assumption of normality, allowing for valid further statistical analysis.

Description of Research Variables

The data processing for this study involves analyzing respondent responses to all items in the questionnaire, with results presented through tables and detailed explanations. The questionnaire for the variable "Work Flexibility" consists of positive statements regarding time flexibility and place flexibility. The results show that respondents generally feel they have adequate flexibility in their work, with an average score of 4.18. The statement with the highest mean, "Work flexibility helps me maintain a balance between work and personal life," had a score of 4.34, indicating strong support for work-life balance among respondents. The lowest mean score, 4.11, was given to "I have flexibility in determining my work schedule (e.g., choosing start and end times)," reflecting a slightly lower but still positive level of satisfaction.

Similarly, the questionnaire on "Compensation" also contains positive statements addressing pay levels, benefits, raises, and structure and administration. The overall average score for this variable was 4.15, demonstrating general satisfaction with compensation. The highest score, 4.24, was given to the statement "The company provides adequate information regarding salary and benefits policies," suggesting respondents appreciate the company's transparency in these matters. On the other hand, the lowest score, 3.97, was given to the statement "I am satisfied with the size of the salary I receive," indicating that while respondents were generally content with their pay, they expressed some dissatisfaction with its adequacy. Lastly, the "Employee Performance" variable, which includes task and contextual performance indicators, showed a mean score of 4.28. The statement with the highest score, "I perform my work effectively and efficiently," received a mean of 4.42, reflecting strong confidence in personal work efficiency. Conversely, the lowest mean score of 4.06 was given to "Even when receiving criticism, I defend my company," suggesting that while most respondents felt committed to the company, they were less inclined to defend it in the face of criticism. These

findings highlight overall positive employee perceptions across all variables, with minor variations in satisfaction levels across specific statements.

Results of Multiple Linear Regression Test and t-Test

The results of the multiple linear regression and t-test analysis for the impact of work flexibility and compensation on employee performance are presented in Table 2. In Table 2, the regression analysis shows that the significance value of work flexibility is 0.000, which is less than 0.05, indicating that this variable has a significant positive effect on employee performance. The standardized coefficient (Beta) of 0.211 suggests that work flexibility has a positive influence on employee performance. The t-test for work flexibility reveals a t-value of 4.061, which exceeds the t-table value of 1.972, and the significance value of 0.000 confirms that the hypothesis (H1) is supported, indicating that work flexibility significantly enhances employee performance.

The regression analysis for compensation reveals a significance value of 0.000, which is also below the 0.05 threshold, confirming that compensation significantly affects employee performance. The standardized coefficient (Beta) of 0.653 indicates that compensation has a strong positive impact on employee performance.

Table 2. Multiple Linear Regression Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	21.650	1.748		12.387	
Work Flexibility	0.376	0.093	0.211	4.061	0.000
Compensation	0.317	0.025	0.653	12.587	0.000

The t-test for compensation shows a t-value of 12.587, which is greater than the t-table value of 1.972, and the significance value of 0.000 confirms that the hypothesis (H2) is supported. Both variables—work flexibility and compensation—are thus found to have significant and positive effects on the performance of employees in the marketing department of an insurance company in Indonesia, as detailed in the following table:

Table 3. t-Test

Hypothesis	t-value	t-table	Sig.	Conclusion
H1: Work flexibility positively and significantly affects employee performance	4.061	1.972	0.000	H1 supported
H2: Compensation positively and significantly affects employee performance	12.587	1.972	0.000	H2 supported

The Effect of Work Flexibility on Employee Performance

In response to the increasingly complex and dynamic business environment, organizations are adopting more flexible human resource management practices. This shift not only enhances organizational flexibility but also enables employees to work flexibly with internet access, which positively impacts job satisfaction and performance (Yew et al., 2024). The implementation of flexible working hours allows individuals to better manage their daily activities, thereby reducing potential conflicts between work and family demands that could negatively affect performance (Wahyuni & Cahyono, 2022). Hypothesis testing in this study shows that work flexibility significantly and positively influences employee performance. The t-test comparison indicates a value of 4.061 > 1.972, with a significance level of 0.000 < 0.05, thus supporting the hypothesis that work flexibility contributes to improved employee performance.

Furthermore, the average response score of 4.18 regarding work flexibility indicates its implementation in Indonesian insurance companies, with a corresponding increase in employee performance (average score of 4.28). This suggests that positive practices stemming from work flexibility can enhance employee performance and, consequently, the overall performance of the organization. These findings are consistent with previous research by Alanazi and Ul Hadi (2024), Ghanem et al. (2021), and Bett et al. (2022), which affirm the positive and significant impact of work flexibility on employee performance. Similarly, Pradipta et al. (2025) found that allowing employees the freedom to complete tasks from any location improves their performance. Abdillah and Suharnomo (2022) also argue that companies offering flexible work arrangements attract and retain high-quality teams, resulting in increased productivity and organizational success.

The Effect of Compensation on Employee Performance

Compensation plays a critical role in influencing employee performance, as workers who perceive their compensation as fair are likely to demonstrate enhanced performance (Paolo et al., 2023). Studies have shown that adequate compensation serves as a significant motivator, driving not only individual employee performance but also overall organizational effectiveness (Kim & Jang, 2020). The hypothesis in this study posits that compensation positively and significantly impacts employee performance, which is supported by statistical analysis. The t-test results indicate a significant relationship, with the computed t-value (12.587) surpassing the critical value (1.972), and the p-value (0.000) being less than 0.05. This indicates that higher compensation levels lead to improved employee performance, as evidenced by the positive regression coefficient between compensation and employee performance.

Further supporting this finding, the average respondent rating for compensation was 4.15, reflecting that compensation practices are prevalent within Indonesian insurance companies. Additionally, the average rating for employee performance was 4.28, highlighting a positive correlation between compensation and performance. This is consistent with prior research by Lipuku et al. (2022), Saman (2020), Arif et al. (2019), and Beede Emerole & Ogbu Edeh (2017), all of whom found a positive and significant impact of compensation on employee performance. A fair and well-designed compensation system motivates employees to work more efficiently and responsibly, ultimately enhancing organizational productivity (Maizar et al., 2023).

5. CONCLUSION

The results of this study indicate a positive and significant influence of both work flexibility and compensation on the performance of millennial employees in insurance companies in Indonesia. The first conclusion suggests that increased work flexibility enhances employee performance, particularly in terms of time flexibility, where employees value the ability to adjust work hours to meet personal and professional needs, thereby contributing to a better work-life balance and improved performance. The second conclusion highlights that compensation also plays a significant role, where higher compensation levels are associated with improved employee performance. The research reveals that clarity in salary management policies, especially regarding raises and the structure of compensation, promotes transparency and fairness, which positively affects employee performance.

Based on these findings, several recommendations are provided. First, the company should improve policies related to work flexibility, particularly in allowing employees to determine their working hours. It is suggested that the company maintain a structured approach to flexibility that aligns with business operations while promoting employee well-being. Secondly, the company is encouraged to regularly review and adjust salary structures to remain competitive and meet employee expectations, thereby boosting satisfaction and motivation. Lastly, to address employee performance concerns, the company should foster a positive organizational image to enhance employee loyalty, ensuring that critiques are constructively handled. Future research could explore additional variables such as Employee Well-Being, Work-Life Balance, Job Satisfaction, Motivation, and Employee Engagement to further understand the factors influencing long-term employee performance in the Indonesian insurance sector.

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