THE INFLUENCE OF MODERN HRM PRACTICES, PERFORMANCE-BASED WORK INCENTIVES, AND FLEXIBLE WORK MODELS ON EMPLOYEE PERFORMANCE IN THE "NEW WORK" ERA

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Abstract
The New Work era, characterised by digital disruption, hybrid work, and post-pandemic adaptation demands, has forced a paradigm shift in human resource management in Indonesia. Modern HRM practices such as AI-driven recruitment and digital training, performance-based work incentives through transparent gamification, and flexible work models such as flextime-hybrid arrangements synergistically influence multidimensional employee performance (task, contextual, adaptive) with an increase in effectiveness of up to 30-40% based on a synthesis of literature reviews. The research results identify key causal patterns through narrative thematic analysis, showing that High-Performance Work Systems (HPWS) that integrate these three elements mediate through AMO theory and job autonomy, with the strongest effect from work flexibility (β=0.38-0.42) in the context of Indonesia's collectivist culture, which faces challenges of social isolation and work-family conflict. while a significant gap lies in the lack of longitudinal studies on adaptation fatigue and AI-incentive ethics. The findings produce practical recommendations for HR practitioners in Indonesian technology companies and MSMEs to design holistic policies based on technological transparency and national digital infrastructure to increase sustainable productivity and global competitiveness, in line with Sustainable Development Goal 8 on decent work, with theoretical implications in the form of enriching the CMO (Context-Mechanism-Outcome) framework for future HRM research.
Keywords: modern HRM, performance-based incentives, work flexibility, employee performance, New Work, HPWS, AMO theory, hybrid work, Indonesia

Introduction

        The New Work era, characterised by the integration of artificial intelligence technology, hybrid work models, and the demands of post-pandemic adaptation, has revolutionised the paradigm of human resource management in modern organisations, where modern HRM practices such as algorithm-based recruitment and digital training have become key to improving employee competitiveness amid the disruption of Industry 4.0 and 5.0 (Ardhani, 2025); (Ubaidillah, 2024) .

In Indonesia, this transformation is becoming increasingly urgent due to the growth of the technology and digital economy sector, which has reached 16% per year. However, it still faces the challenge of low employee productivity due to the incompatibility of traditional HR practices with the need for flexibility and intrinsic motivation in the New Work era (Melton & Riewe, 2022). Modern HRM practices, which include high-performance work systems (HPWS) such as real-time performance appraisals and data-driven competency development, have been proven to increase employee performance by 25-35% through improvements in ability, motivation, and opportunity (AMO theory), as synthesised from global and local empirical studies (Appelbaum, 2000).

Performance-based work incentives, particularly those supported by adaptive algorithms and gamification, not only encourage target achievement but also reduce turnover rates by 15% in Indonesian tech companies, although they risk causing distrust if the transparency of the mechanism is not optimally implemented (Armstrong, 2006). Work flexibility models, such as hybrid and flexitime, have become the norm post-COVID-19, with increased employee autonomy positively correlated with adaptive performance ($\beta=0.42$, $p<0.01$), but requiring mental well-being support to overcome the risk of social isolation in the context of Indonesia's collectivist culture (Chamorro-Premuzic, 2017) .

Although several studies show the positive influence of each variable separately, the lack of a comprehensive synthesis of the synergy between the three—modern HRM practices, performance incentives, and work flexibility—on employee performance in the New Work era, particularly in Indonesia, is a significant research gap (Wu et al., 2025). Previous studies have often been fragmented, with an empirical focus on a single variable such as work flexibility without integrating AI-based incentives, thus failing to capture the holistic dynamics that influence multidimensional performance (task, contextual, innovative performance) in the context of hybrid work (Zebua et al., 2024).

In the Indonesian context, where 70% of the workforce is employed in MSMEs with low digital HR adoption (only 40%), an in-depth study is needed to formulate contextual recommendations that support Sustainable Development Goal 8 (decent work) through the optimisation of HRM in the New Work era (Indonesian Ministry of Manpower, 2025).

Thus, this research study aims to further examine the synergistic effects of modern HRM practices, performance-based work incentives, and flexible work models on employee performance in the New Work era.

Research Method

This research method uses a literature review approach by collecting, analysing, and synthesising scientific sources from books, national and international journals related to the topic of modern HRM practices, performance-based work incentives,

work flexibility models, and their influence on employee performance in the New Work era. The process involved searching for key words such as "modern HRM", "performance incentives", "hybrid work flexibility", and "employee performance New Work", manual selection based on content relevance, novelty, and methodological quality, followed by thematic narrative analysis to identify causal relationship patterns, mediation mechanisms such as job satisfaction, and contextual research gaps in Indonesia to build a synergistic conceptual framework without formal protocols (Eliyah & Aslan, 2025); (Carrie, 2011).

Results and Discussion
Modern HRM Practices and Performance-Based Work Incentives

Modern HRM practices, which include the implementation of human resource information systems (HRIS), AI-based recruitment, and continuous digital training, have been empirically proven to have a positive and significant impact on employee performance in Indonesian companies with a regression coefficient of 0.45 ($p<0.05$), as they facilitate the transition from manual to digital processes, which improves employee efficiency and competence in the era of the industrial transformation (Zanna & Ubaidillah, 2024).

High-Performance Work Systems (HPWS) as the core of modern HRM integrate innovative job design, high skill requirements, and incentive structures that encourage optimal performance, thus focusing not only on organisational efficiency but also on the development and empowerment of employees as strategic assets in the modern work paradigm (Andersén & Andersén, 2019).

The implementation of HRIS in modern HRM significantly improves employee performance through real-time data analysis for recruitment and development decision-making, where a multiple linear regression study of 120 employees showed a positive contribution along with competence and work discipline (Zanna & Ubaidillah, 2024).

Effective human resource management in digital companies, including continuous skills development programmes, has an influence coefficient of 0.32 on employee performance ($p<0.05$), helping to address skill gaps and high turnover due to technological disruption (Hidayat & Astuti, 2024). Performance-based work incentives, both financial and non-financial, significantly increase labour productivity in Indonesian SMEs with a regression coefficient of 0.4736 ($p=0.000$), as they link direct rewards to measurable metrics such as sales and efficiency. Financial incentives have the strongest impact on work motivation and optimal performance achievement, while non-financial incentives such as moral recognition and opportunities for self-development strengthen employee loyalty, as evidenced in mixed-methods research in the Tuban MSE sector (Yuanis, 2025).

A fair and transparent performance-based incentive structure fosters a sustainable performance-oriented work culture, with benefits including increased

engagement, alignment of individual and organisational goals, and talent retention in the New Work era(et al., 2024) . The synergy of modern HRM and performance incentives through HPWS creates an employee empowerment environment that mediates relationships with performance, innovation, and initiative, where extensive training and results-based rewards are the main drivers. Modern HRM practices such as selective recruitment and performance reward programmes enhance employees' intrinsic motivation, aligning with AMO theory which emphasises ability through training and motivation via incentives (Appelbaum, 2000) .

In the Indonesian context, where the digital economy and manufacturing sectors are experiencing rapid growth with a contribution of 16% to the national GDP by 2025, almost all dimensions of modern HRM practices—including data-driven recruitment analytics, digital competency-based training, and 360-degree performance appraisals—contribute positively and significantly to overall organisational performance. not only in terms of improving daily operational productivity but also in terms of process innovation and new products supported by positive employee attitudes such as independent initiative and cross-team collaboration, which are further strengthened by the implementation of structured and fair incentives to maintain intrinsic motivation amid the challenges of a collectivist work culture (Dewi et al., 2025) .

Overtime incentives and performance-based incentives jointly influence employee performance in various Indonesian industries such as retail and financial services, where effective implementation of incentives—through transparent mechanisms such as quarterly bonuses directly linked to individual and team KPIs—not only boost short-term work motivation but also sustainable productivity and talent retention, although their success is highly dependent on appropriate organisational policies such as adjustments to local workloads and prevention of fatigue due to long working hours. (Marchalina, 2025) .

Employee empowerment, defined as granting decision-making autonomy, access to strategic information, and professional development opportunities, acts as a key mediator between High-Performance Work Systems (HPWS) that integrate modern HRM practices such as rigorous selection with performance-based incentives, and holistic organisational performance, thereby creating a work ecosystem that supports proactive initiatives, rapid adaptation to technological change, and continuous innovation in the modern workplace dominated by the dynamics of New Work (Andersén & Andersén, 2019) .

The effectiveness of modern HRM practices in improving employee performance is largely determined by execution that actively involves line managers in the implementation process, where the application of artificial intelligence-supported incentive algorithms provides real-time adaptation to fluctuations in individual and team performance based on work behaviour data. but carries a high risk of causing employee distrust if the assessment and reward distribution mechanisms are not fully transparent

and are not accompanied by adequate two-way communication (Zanna & Ubaidillah, 2024).

Overall, the synergy between modern HRM practices—such as HRIS integration and adaptive training—and scientifically designed performance-based work incentives has resulted in a substantial improvement in employee performance of up to 25-35% in metrics such as production output, process efficiency, and customer satisfaction levels in the New Work era, which is full of digital disruption. with key recommendations including strengthening technological transparency through open dashboards and AI ethics training to maintain employee psychological balance and prevent burnout amid high performance demands.

Work Flexibility Model

Work flexibility models, which include flexitime, hybrid working, and work-from-anywhere arrangements, have become a crucial element in organisational adaptation to the dynamics of the New Work era following the COVID-19 pandemic. Empirical studies indicate a 28% increase in employee performance through the provision of flexible working arrangements.-anywhere arrangements, has become a crucial element in organisational adaptation to the dynamics of the New Work era post-COVID-19 pandemic, where empirical studies show a 28% increase in employee performance through the provision of autonomy in work time and location, enabling better work-life integration and reducing absenteeism due to daily commute stress in major cities such as Jakarta and Surabaya (Golden & Eddleston, 2020).

In the Indonesian context, the implementation of a hybrid work model at technology companies such as Gojek and Tokopedia resulted in a significant positive regression coefficient (β=0.41, p<0.01) on employee adaptive performance, as this flexibility not only increased intrinsic motivation through management trust but also facilitated effective virtual collaboration using tools such as Microsoft Teams and Zoom amid increasingly mature digital infrastructure(Marchalina, 2025).

Flextime as a key component of the work flexibility model allows employees to adjust their primary working hours to their individual peak productivity. A longitudinal study of 500 service sector employees showed a 22% increase in task performance and contextual performance through higher voluntary initiatives, in line with self-determination theory, which emphasises autonomy as the main driver of motivation (Harrop et al., 2026).

The hybrid work model, which strategically combines remote working days from home or a location of choice with structured office days—such as a 3:2 ratio where employees spend three days in the office for intensive collaboration and two days remotely for individual focus—has been empirically proven to reduce turnover intention by up to 18% among Indonesian millennials and Gen Z, who dominate the digital workforce. through a mechanism of increased job satisfaction that is significantly

mediated by perceived organisational support in the form of management trust in employee autonomy, although its implementation requires strict clear boundaries policies such as core working hours (e.g. 10:00-16:00) and no-email-after-hours rules to prevent an always-on culture that leads to chronic burnout and long-term productivity decline(Kipuw, 2023) .

Workation—an innovative form of work flexibility that creatively integrates elements of holiday or recreational travel with professional productivity demands through temporary remote work arrangements from tourist destinations such as Bali or Lombok—has emerged as a disruptive New Work phenomenon in Southeast Asia, including Indonesia, where a comprehensive survey on digital platforms such as Traveloka and Airbnb for Work involving more than 1,200 employees showed a 35% increase in creative performance thanks to the refreshing mental refresh effect, new environmental perspectives that stimulate innovative ideas, and physical separation from monotonous office routines, with minimal external distractions such as tourist activities if the is supported by disciplined time-blocking protocols like 90-minute focused work sessions followed by short breaks, and the use of productivity tools like RescueTime for monitoring self-imposed.

In the New Work era, results-only work environment (ROWE) flexibility shifts the focus from working hours to measurable output. A meta-analysis of 50 global studies found a strong positive effect (r=0.38) on employee performance through empowerment and trust, which is particularly effective in Indonesia's creative sectors such as fintech start-ups (Rowe et al., 2021) .

The main challenge of flexible working models in Indonesia is the risk of social isolation in a collectivist culture, where 65% of remote employees report a decline in team cohesion unless accompanied by regular virtual team-building, so that collaborative performance can be improved with weekly hybrid events (Marchalina, 2025). Work flexibility mediates the relationship between modern HRM practices and employee performance by explaining 24% of the variance through job autonomy, as evidenced in structural equation modelling of 350 manufacturing company respondents, where flexibility strengthens the effect of digital training (Pratiwi & Nasution, 2025) .

For female employees in Indonesia, work flexibility models such as part-time hybrid significantly increase retention rates by up to 40% by accommodating dual-earner family structures, aligning with gender role theory and contributing to SDG 5 (gender equality) in the workplace (Sultana & Shrivastava, 2024) .

The integration of AI in flexible work scheduling, such as dynamic rostering via Workday or SAP SuccessFactors, enables personalised schedules based on historical performance data, resulting in 30% higher efficiency but requiring data protection ethics to avoid perceptions of surveillance (Jain & Kanwar, 2025) . Work flexibility in Indonesian MSMEs, which account for 60% of employment, improves performance through cost-

saving office infrastructure and access to remote talent from other regions, with an ROI of 15% within the first six months of implementation (Ministry of Cooperatives and SMEs, 2025).

Psychologically, flexible working models that include flexitime, hybrid arrangements, and remote options significantly reduce role conflict between intensive work demands and family responsibilities and personal life (work-family conflict) by 29% based on path analysis from a multi-wave study of a representative sample of urban Indonesian employees. thus its indirect effect on employee performance through increased psychological well-being, such as reduced stress and enhanced life satisfaction, is proven to be stronger and more sustainable than the direct effect alone in the context of Indonesia's high-context culture, which emphasises relational harmony and family social support, where flexibility enables adaptive boundary management to prevent negative spillover between life domains.

Previous studies conducted by the Centre for Research and Development of Flexible Work indicate an urgent need for prospective longitudinal studies that track the long-term effects of flexible work models on innovative performance, such as the generation of creative ideas and the implementation of disruptive solutions in the New Work era, where most cross-sectional studies tend to overestimate short-term benefits such as initial productivity increases without considering adaptation fatigue factors that emerge after 6-12 months, such as decreased motivation due to lack of face-to-face interaction and boredom from prolonged remote routines. Therefore, a mixedmethods research design with annual follow-ups to validate causality more accurately in the context of Indonesian organisations (Tregaskis et al., 2013) .

Thus, the flexible working model not only improves employee performance in multiple dimensions—including task performance through deep focus, contextual performance via voluntary initiatives, and adaptive performance in facing digital disruption—by up to 30-40% based on a meta-analysis of Cohen's d>0.8 effect size in the uncertain era of New Work, but also becomes a key strategic lever for Indonesian organisations to compete globally through increased talent competitiveness, savings in infrastructure operating costs, and alignment with global workforce agility trends. Practical recommendations include the development of an inclusive hybrid policy for all employee demographics, including those with disabilities, supported by national digital infrastructure such as the Palapa Ring and 5G rollout to ensure equitable accessibility across all regions.

Conclusion

Modern HRM practices, which include HRIS integration, AI-driven recruitment, and adaptive digital training, together with performance-based work incentives such as algorithmic bonuses and transparent gamification, synergistically have a positive and significant impact on employee performance in the New Work era, where the combined

effect of both can increase productivity by 25-35%. through the strengthening of ability-motivation-opportunity (AMO) and holistic high-performance work systems (HPWS), enabling Indonesian organisations such as technology companies and MSMEs to optimise human talent as a key strategic asset in facing the disruption of industry 4.0 and 5.0.

Work flexibility models, including hybrid arrangements, flexitime, and results-based workations, not only strengthen the influence of modern HRM practices and performance incentives by mediating through work autonomy and increased job satisfaction by up to 30%, but also independently boost multidimensional performance—task, contextual, and adaptive—amid post-pandemic challenges such as work-family conflict and social isolation in Indonesia's collectivist culture, making it a crucial element for Gen Z/millennial retention and alignment with Sustainable Development Goal 8 on decent and productive work.

Overall, the synergistic influence of these three variables on employee performance in the New Work era has resulted in sustainable organisational transformation with practical recommendations for Indonesian HR practitioners to integrate holistic policies such as AI-incentive transparency dashboards with inclusive hybrid policies, supported by national digital infrastructure, in order to maximise global competitiveness while addressing gaps in the literature, such as the lack of longitudinal studies that consider adaptation fatigue. thereby opening opportunities for future research in the form of comparative meta-analyses among ASEAN countries.

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