ABSTRACT

Purpose: This study aims to develop a framework for understanding the impact of gig economy adoption and flexible recruitment policies on the performance of contractual government employees (PPPK) in the regional government of North Sumatra, with work engagement as a mediating variable.

Design/methodology/approach: Data were collected from 320 PPPK employees through questionnaires. Statistical analyses, including classical assumption tests and path analysis, were conducted using SPSS to examine the direct and indirect effects of gig economy adoption and flexible recruitment policies on employee performance, mediated by work engagement.

Findings: The results indicate that both gig economy adoption and flexible recruitment policies significantly and positively impact employee performance. Furthermore, work engagement serves as a significant mediating variable, enhancing the relationship between these independent variables and employee performance. This suggests that creating a balance between flexibility and stability in employment can improve PPPK performance.

Research limitations/implications: The study focuses on PPPK employees in the North Sumatra regional government, including teachers, healthcare workers, and technical staff. Future research could expand the scope to include other types of employees and regions, as well as consider additional mediating variables such as job satisfaction and organizational support.

Originality/value: Unlike previous studies that often address either gig economy or recruitment policies in isolation, this research integrates both elements and examines their combined effects on employee performance within a governmental context. The study provides a comprehensive framework for policymakers to enhance employee performance by balancing flexibility and stability in the workforce.

Keywords: adoption of the gig economy, employee performance, flexible recruitment policy, local government, work engagement, Sustainable Development Goals (SDGs).
1 INTRODUCTION

In recent years, the concept of the gig economy has emerged as a focal point in discussions on labor and human resource management. The gig economy refers to an economic system where temporary jobs, short-term contracts, and freelancing prevail over permanent employment (Banik & Padalkar, 2021). According to a 2023 report by McKinsey & Company, approximately 30% of the workforce in the United States and Europe are now engaged in gig-based work (McKinsey & Company, 2023). This trend is also becoming apparent in Asia, including Indonesia, where large corporations and startups are increasingly adopting the gig economy model to harness the flexibility and cost-efficiency it offers (Cameron, 2022). This model allows companies to adjust their labor needs according to market demand fluctuations without incurring the long-term costs and commitments associated with permanent employment (Kaine & Josserand, 2019; Malik et al., 2021).

The adoption of the gig economy in Indonesia is further driven by advancements in digital technology and online platforms that facilitate connections between workers and employers (Mehta, 2023; Muldoon & Raekstad, 2023). Platforms such as Gojek, Grab, and Tokopedia have reshaped the labor market by providing gig-based job opportunities for millions. Data from the Central Statistics Agency (BPS) indicate that in 2022, approximately 7.5 million individuals in Indonesia were employed as freelancers or gig workers. This represents a significant increase from previous years and underscores the rapid growth of the gig economy in the country. Furthermore, the widespread adoption of technology has enabled companies to manage gig workers more efficiently, enhancing productivity and reducing operational costs (Cameron, 2022; Malik et al., 2021).

These changes are supported by government policies that promote flexibility in the labor market. In Indonesia, policy changes in the appointment of Civil Servants (ASN) reflect this global trend. The government has begun to encourage the transition from permanent ASN to Government Employees with Work Agreements (PPPK). This policy aims to enhance flexibility and efficiency in human resource management in the public sector, aligning with private sector
practices that increasingly rely on the gig economy. In 2023, the Ministry of Administrative and Bureaucratic Reform (KemenPAN-RB) reported that over 200,000 ASNAs had transitioned to PPPK. Additionally, the ministry received 230,707 applications for PPPK teachers, 126,212 for PPPK healthcare workers, and 55,793 for other technical PPPK positions (Humas MenpanRB, 2024). This demonstrates the government’s commitment to implementing a more flexible workforce management model.

Flexible recruitment policies are also expected to broaden employment opportunities, especially in a rapidly changing labor market. Globally, the World Economic Forum stated in 2022 that gig-based jobs could help reduce unemployment by providing quicker and more accessible job opportunities (World Economic Forum, 2022). In Indonesia, this policy is also anticipated to increase workforce participation, particularly among groups that previously struggled to access permanent jobs, such as housewives, students, and retirees. By offering more flexible job options, this policy has the potential to enhance national welfare and productivity (Labib Fardany Faisal et al., 2019; Vandy & Mohanty, 2023).

However, the adoption of the gig economy and flexible recruitment policies also introduces new challenges. A primary concern is the uncertainty and lack of social protection for gig workers, who often lack access to benefits such as health insurance and pension plans (Bidin et al., 2021; Kost et al., 2020). Many gig workers do not have adequate social protection (Uchiyama et al., 2022). This situation demands that multiple stakeholders, particularly the government, ensure that gig workers like PPPK receive adequate protection to guarantee their sustainability and well-being. This analysis underscores the transformative impact of the gig economy on labor markets and highlights the need for policies that balance flexibility with social protection. As the gig economy continues to evolve, it will be crucial for policymakers to address these challenges to create a more inclusive and sustainable labor market.

The adoption of the gig economy has introduced new paradigms in flexible recruitment policies, emphasizing swift adaptation to workforce demands. These policies facilitate the engagement of workers on short-term or project-based contracts by both private companies and government agencies.
Saragih, J., Pratami, E. I. (2024). Balancing Flexibility and Stability as SDGs: Gig Economy Adoption, Flexible Recruitment Policies, and Employee Performance in North Sumatra’s Public Sector

(Cameron, 2022; Kost et al., 2020). This approach enables the rapid and efficient filling of positions, particularly during urgent projects or periods of heightened demand. However, this flexibility also significantly influences employee engagement levels. Contract workers or gig workers often experience a weaker attachment to their organizations due to the absence of long-term job security and additional benefits typically provided to permanent employees (Labib Fardany Faisal et al., 2019; Singh & Singh, 2023). Research indicates that low levels of employee engagement can lead to reduced productivity and work quality (Jamal, 2019; Mosadeghrad et al., 2011).

The impact of flexible recruitment policies on employee engagement is a critical area of focus in human resource management. Low employee engagement can result in high turnover rates, which subsequently increases recruitment and training costs for organizations (Agoi, 2015; Caesens et al., 2016). Conversely, if these policies are implemented effectively—such as by offering adequate incentives and clear career development opportunities—they can enhance job satisfaction and employee engagement, even for those in contract or gig roles (Rafiq et al., 2019; Vermooten et al., 2019). To address these challenges, government agencies need to develop strategies that ensure contract employees feel valued and engaged within the organization.

Moreover, the implications of flexible recruitment policies on the performance of contract employees in government agencies warrant careful examination. Employee performance is closely linked to their engagement levels (Dwiningsih et al., 2023; Vera & Sánchez-Cardona, 2023). Employees who feel engaged and valued typically exhibit better performance and stronger commitment to their tasks. Therefore, policies that emphasize flexibility at the expense of employee welfare and engagement may prove counterproductive. It is crucial for government agencies to balance flexibility with job stability and ensure that contract employees receive proper training, support, and recognition to optimize their performance (Koutsimpogiorgos et al., 2020).

This study aims to explore how the adoption of the gig economy and flexible recruitment policies affect the engagement and performance of contract employees (PPPK) in government agencies. By understanding these dynamics, the research seeks to provide valuable insights for policymakers and
human resource managers to develop policies that support employee productivity and welfare in the era of the gig economy. Additionally, this study aspires to identify best practices that can be implemented to enhance the engagement and performance of contract employees in an increasingly dynamic and flexible work environment.

This study is particularly relevant in the context of recent government policy changes in human resource management, specifically the transition from permanent civil servants (ASN) to contract-based civil servants (PPPK). The adoption of the gig economy and flexible recruitment policies can significantly impact employee engagement and performance. In the context of ASNs transitioning to PPPK, it is essential to understand how these changes influence their engagement and performance. High employee engagement can contribute to improved performance, while flexible recruitment policies can help the government manage human resources more efficiently.

2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 GIG ECONOMY AND FLEXIBLE RECRUITMENT POLICIES

The gig economy refers to a labor market characterized by the prevalence of short-term contracts or freelance work rather than permanent employment. This economy includes workers engaged in temporary, short-term contracts, or freelance work facilitated through digital platforms (Katz & Krueger, 2022). The rapid development of this phenomenon is attributable to digital technology, which enables workers and employers to connect more easily and efficiently. Furthermore, a survey conducted by the McKinsey Global Institute in 2023 revealed that approximately 36% of the workforce in the United States and Europe is now involved in the gig economy (McKinsey & Company, 2023). This trend is also expanding rapidly in Asia, including Indonesia, with platforms such as Gojek, Grab, and Tokopedia facilitating gig-based work.

Flexible Recruitment Policies are human resource management approaches that allow companies to recruit workers based on short-term needs
without long-term commitments. These policies include short-term contracts, part-time work, and freelance opportunities (Hill, Grzywacz, *et al.*, 2008; Stich, 2020). According to Houseman (2003), these policies enable companies to adjust their workforce to market demand fluctuations and reduce fixed costs. In this context, flexible recruitment policies not only provide cost-efficiency benefits to companies but also offer broader employment opportunities for individuals seeking flexibility in their careers.

The gig economy and flexible recruitment policies are closely related, as the adoption of the gig economy drives companies to implement more flexible recruitment strategies (Katsnelson & Oberholzer-Gee, 2021; Williams *et al.*, 2021). These two variables mutually support each other in creating a more dynamic and adaptive work environment. Research indicates that companies adopting the gig economy tend to develop flexible recruitment policies to maximize workforce flexibility (Katsnelson & Oberholzer-Gee, 2021). The integration of the gig economy with flexible recruitment policies benefits both companies, by reducing labor and insurance costs, and workers, by providing flexibility and variety in their jobs (Karamanis & Gogos, 2020; Weale *et al.*, 2017).

2.2 GIG ECONOMY AND WORK ENGAGEMENT

Work engagement refers to the level of involvement, commitment, and enthusiasm employees have for their work. According to Schaufeli *et al.* (2002), work engagement comprises the dimensions of vigor, dedication, and absorption. The gig economy, with its flexibility and autonomy, can either enhance or diminish work engagement depending on how workers perceive their jobs. High work engagement is often associated with increased productivity and job satisfaction, whereas low engagement can lead to higher turnover and decreased performance. Previous studies specifically show that high work engagement can enhance company productivity (Hafner *et al.*, 2020; Okazaki *et al.*, 2019), highlighting the importance of work engagement in the context of human resource management.
Several studies indicate that the gig economy can influence work engagement through increased flexibility and autonomy, but it may also reduce engagement if workers feel less stable and secure (Agrawal & Bhukya, 2022; Salmah et al., 2024). For instance, a study by Spreitzer et al. (2017) found that gig workers with greater control over their work schedules tend to report higher engagement levels. However, the same study also revealed that income uncertainty and lack of job benefits could reduce engagement. In the context of government policies adopting the gig economy through the appointment of Government Employees with Work Agreements (PPPK), these dynamics become highly relevant. The government must ensure that the flexibility offered by the gig economy does not compromise the stability and social protection of workers. Based on these considerations, the hypothesis formulated in this study is:

**H1: The adoption of the gig economy positively affects the work engagement of PPPK employees in local government agencies.**

### 2.3 FLEXIBLE RECRUITMENT POLICIES AND WORK ENGAGEMENT

Flexible recruitment policies are human resource management approaches that allow companies to recruit workers based on short-term needs without long-term commitments (Ben-Gal et al., 2022; Houseman, 2003). These policies encompass various forms of employment such as short-term contracts, part-time work, and freelance opportunities. According to Kalleberg (2000), work flexibility enables employees to balance work and personal life, which can enhance work engagement. Flexibility in recruitment not only benefits companies by reducing fixed costs and adjusting the workforce to market demand fluctuations but also gives employees more control over their work time and conditions.

In the context of human resource management, work engagement is often viewed as the level of involvement, commitment, and enthusiasm employees have for their work. Flexible recruitment policies can influence work engagement by increasing the flexibility and control given to employees (Gerards et al., 2018). Research by Hill et al. (2008) shows that employees with
flexible work schedules tend to have higher engagement levels because they feel more capable of managing work and personal demands. However, the long-term uncertainty associated with contract work can also reduce employees' sense of engagement. Therefore, flexible recruitment policies need to be carefully designed to ensure that the provided flexibility truly enhances work engagement without adding unnecessary uncertainty (Stich, 2020). Based on these considerations, the hypothesis formulated in this study is:

**H2: Flexible recruitment policies positively affect the work engagement of PPPK employees in local government agencies.**

### 2.4 GIG ECONOMY AND EMPLOYEE PERFORMANCE

The gig economy refers to a labor market dominated by short-term contracts, freelancing, and temporary work. Gig workers typically engage through platforms that connect them with employers based on specific projects or tasks. Stefano (2016) argues that the gig economy offers significant flexibility for both workers and companies, potentially enhancing efficiency and productivity. Gig workers can select projects that align with their skills and manage their schedules, leading to improved performance due to increased motivation and job satisfaction.

However, the gig economy also presents significant challenges for companies regarding the performance of gig workers. The lack of job stability and income uncertainty can cause stress and dissatisfaction among gig workers, ultimately reducing their performance. A study by Berg *et al.* (2018) found that, despite the flexibility provided by the gig economy, income uncertainty often leads to inconsistent performance. Furthermore, limited access to training and career development can hinder long-term performance improvements.

In the context of local governments adopting the policy of hiring Government Employees with Work Agreements (PPPK), these challenges are particularly pertinent. The working conditions in the gig economy must offer adequate social protection and job stability to ensure optimal performance. A study by Wood *et al.* (2019) found that gig workers who feel valued and have control over their work tend to exhibit higher performance levels. Therefore,
it is crucial for the government to manage these aspects effectively to maximize the performance of PPPK employees. Based on these considerations, the following hypothesis is formulated:

**H3: The adoption of the gig economy positively affects the performance of PPPK employees in local government agencies.**

### 2.5 FLEXIBLE RECRUITMENT POLICIES AND EMPLOYEE PERFORMANCE

Flexible recruitment policies enable companies to adjust their workforce according to dynamic business needs. By implementing short-term contracts, part-time work, and freelance options, companies can respond more efficiently to market demand fluctuations. Flexibility in recruitment allows companies to reduce fixed costs and improve operational efficiency, directly contributing to enhanced employee and organizational performance (Ben-Gal et al., 2022; Kalleberg, 2000).

Flexibility in recruitment also impacts employee performance by improving work-life balance and job satisfaction. A study by Felstead et al. (2006) indicated that employees with flexible work arrangements tend to report lower stress levels and better work-life balance, contributing to enhanced performance. Employees who feel they have greater control over their work schedules are also more motivated and productive. This is corroborated by a study by Bloom et al. (2015), which found that flexible work arrangements can significantly increase employee productivity.

Nevertheless, despite the many advantages of flexible recruitment policies, there are potential risks that need to be addressed. Uncertainty associated with short-term jobs and freelance contracts can lead to feelings of insecurity and stress, negatively impacting performance. Probst et al. (2000) revealed that job uncertainty could reduce employee motivation and commitment, ultimately lowering performance. In the context of hiring Government Employees with Work Agreements (PPPK), it is essential to manage the flexibility aspect effectively to ensure its positive impact on employee performance. Companies or government agencies must ensure that, despite the flexibility, adequate stability and support are provided to sustain optimal
performance. Based on these considerations, the following hypothesis is formulated:

**H4: Flexible recruitment policies positively affect the performance of PPPK employees in local government agencies.**

### 2.6 WORK ENGAGEMENT AND EMPLOYEE PERFORMANCE

Work engagement plays a critical role in determining employee performance. Employees with high levels of engagement exhibit substantial energy, enthusiasm, and full concentration in their tasks. This heightened engagement often correlates with superior job outcomes, as motivated employees are more likely to achieve organizational goals and make significant contributions (Corbeanu & Iliescu, 2023; Wang & Chen, 2020). A study by Juyumaya and Torres (2023) identified a significant positive correlation between work engagement and employee performance. Engaged employees tend to be more productive, demonstrate higher levels of innovation, and deliver superior quality work. Furthermore, work engagement is associated with reduced absenteeism and employee turnover, thereby enhancing overall organizational performance (Neuber et al., 2022).

However, the relationship between work engagement and performance is also influenced by other factors such as the work environment, organizational culture, and managerial support. For instance, Bakker et al. (2008) demonstrated that a supportive work environment and a positive organizational culture can strengthen the relationship between work engagement and performance. Employees who feel supported by management and have access to necessary resources are more likely to be engaged and, consequently, perform better.

In the context of Government Employees with Work Agreements (PPPK), it is essential for organizations or government agencies to foster an environment that promotes work engagement through appropriate policies and practices. This includes providing constructive feedback, career development opportunities, and a good work-life balance. Effective managerial support also plays a key role in ensuring that employees feel valued and motivated to
perform at high levels. Based on these considerations, the following hypothesis is formulated:

H5: Work engagement positively affects the performance of PPPK employees in local government agencies.

2.7 THE GIG ECONOMY, FLEXIBLE RECRUITMENT POLICIES, WORK ENGAGEMENT, AND EMPLOYEE PERFORMANCE

The gig economy, flexible recruitment policies, work engagement, and employee performance exhibit complex and interrelated dynamics. Both the gig economy and flexible recruitment policies are instrumental in creating a dynamic and adaptive work environment. The adoption of the gig economy enables companies to access labor more flexibly and efficiently (Kaine & Josserand, 2019; Malik et al., 2021). Concurrently, flexible recruitment policies facilitate workforce adjustments according to organizational needs. This flexibility helps companies adapt to changes in market demand, which can enhance both operational and individual performance (Houseman, 2003).

In this context, work engagement can act as a mediating variable linking the gig economy and flexible recruitment policies with employee performance. Engaged workers tend to exhibit high energy, commitment, and concentration in their tasks, which in turn improves performance. Previous studies have shown that high work engagement can increase productivity, work quality, and employee innovation. The flexibility offered by the gig economy and flexible recruitment policies can enhance work engagement by providing employees with greater autonomy and control over their work (Bloom et al., 2015; Stich, 2020).

However, several challenges related to work engagement and performance must be addressed by companies. Uncertainty and lack of social protection can diminish work engagement and performance. While the gig economy offers work flexibility, the lack of income stability can cause stress and uncertainty for workers. Workers experiencing income uncertainty tend to have lower work engagement and inconsistent performance (Berg et al., 2018).
Therefore, it is crucial for companies or government entities to establish policies that balance flexibility with protection to maximize the benefits of the gig economy and flexible recruitment policies on work engagement and performance. Supportive policies, such as access to training, work benefits, and income stability, can enhance work engagement and, subsequently, employee performance. Gig workers who feel valued and have control over their work demonstrate higher performance levels (Wood et al., 2019). Ensuring that gig workers and PPPK employees receive adequate support is essential for achieving optimal performance. The relationship between the gig economy, flexible recruitment policies, work engagement, and employee performance can be formulated into the following hypothesis:

H6: The gig economy and flexible recruitment policies positively affect the performance of PPPK employees in local government agencies, with work engagement as a mediator.

3 METHODS

3.1 RESEARCH DESIGN

The research approach employed in this study is a quantitative survey. This method was selected because it allows for systematic and structured data collection from a large number of respondents, thereby providing a representative overview of the variables under investigation (Priadana, 2017). The primary objective of this research is to explore the impact of the gig economy and flexible recruitment policies on work engagement and the performance of PPPK employees within the Government of North Sumatra Province. The study was conducted over a three-month period, from December 2023 to February 2024, within various government institutions in North Sumatra Province.
3.2 SAMPLE AND DATA COLLECTION

The population of this study comprises all PPPK employees working within the Government of North Sumatra Province, including teachers, healthcare workers, and technical staff. The sample was selected using purposive sampling, with respondents chosen based on specific criteria relevant to the research objectives. The criterion used was that PPPK employees must have been employed for at least one year in their current positions.

Data collection was conducted through questionnaires distributed both online and in person. The questionnaire was designed to measure the variables under study: the adoption of the gig economy, flexible recruitment policies, work engagement, and employee performance. The questionnaire consisted of closed-ended questions utilizing a 5-point Likert scale, which allowed respondents to provide measurable responses regarding their perceptions and experiences.

3.3 DATA ANALYSIS

The data analysis method used in this study is multiple regression analysis. This method was selected for its ability to test the simultaneous influence of multiple independent variables on a dependent variable. In the context of this research, multiple regression analysis was employed to examine the effects of gig economy adoption and flexible recruitment policies on work engagement and employee performance. Additionally, path analysis was utilized to explore the role of work engagement as an intervening variable linking the gig economy and flexible recruitment policies to employee performance. The data collected via the questionnaire were processed and analyzed using SPSS statistical software. The analysis results are expected to provide comprehensive insights into the relationships between the studied variables and to confirm the previously formulated hypotheses.
3.4 INSTRUMENT VALIDITY AND RELIABILITY TESTING

Prior to being used for the main data collection, the questionnaire was tested for validity and reliability to ensure that the instrument accurately measures the intended variables and maintains consistency in its measurements. Validity testing was conducted using construct validity analysis, where item-total correlations were examined to ensure that each item significantly contributes to the theoretical construct being measured. Items with item-total correlations below 0.3 were removed or revised (Priadana, 2017). The testing results indicated that all items had correlation values above 0.3, confirming the instrument's validity.

The reliability of the instrument was measured using Cronbach’s Alpha coefficient. An instrument is deemed reliable if its Cronbach’s Alpha value exceeds 0.7. In this study, the reliability of each construct (adoption of the gig economy, flexible recruitment policies, work engagement, and employee performance) was tested separately. The results showed that all constructs had Cronbach’s Alpha values above 0.7, indicating that the instrument is reliable and suitable for the main data collection.

4 RESULTS

A total of 320 PPPK employees participated in the questionnaire distributed to gather data on the variables under study. The collected data were processed and subjected to statistical testing using SPSS. The statistical tests included classical assumption tests and hypothesis testing using path analysis. The steps and results of the tests are detailed as follows:

4.1 CLASSICAL ASSUMPTION TESTS

Classical assumption tests are employed to verify certain assumptions or requirements that must be met in regression models. These assumptions include the following tests:
a. Normality Test

The results of the normality test using the One-Sample Kolmogorov-Smirnov method are presented in Table 1:

Table 1
Normality Test Results

<table>
<thead>
<tr>
<th>One-Sample Kolmogorov-Smirnov Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>320</td>
</tr>
<tr>
<td>Normal Parameters(^a,b)</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>.0000000</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.37680599</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td></td>
</tr>
<tr>
<td>Absolute</td>
<td>.052</td>
</tr>
<tr>
<td>Positive</td>
<td>.032</td>
</tr>
<tr>
<td>Negative</td>
<td>-.052</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>.052</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.139(^c)</td>
</tr>
</tbody>
</table>

\(^a\) Test distribution is Normal.
\(^b\) Calculated from data.
\(^c\) Lilliefors Significance Correction.

Based on the SPSS output for the normality test, it is observed that the Asymp. Sig. (2-tailed) values for each variable are greater than the prescribed cut-off value (>0.05). According to the decision rule for the Kolmogorov-Smirnov normality test, it can be concluded that the data are normally distributed. Therefore, the normality requirement for the regression model is satisfied.

b. Linearity Test

The results of the linearity test for each independent variable are presented in Tables 2, 3, and 4:

Table 2
Linearity Test of Employee Performance and Adoption of the Gig Economy

<table>
<thead>
<tr>
<th>ANOVA Table</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance * Adoption of the Gig Economy Between Groups (Combined) Linearity</td>
<td>144.092</td>
<td>8</td>
<td>18.012</td>
<td>6.685</td>
<td>.000</td>
</tr>
<tr>
<td>Deviation from Linearity</td>
<td>131.303</td>
<td>1</td>
<td>131.303</td>
<td>48.735</td>
<td>.000</td>
</tr>
<tr>
<td>Total</td>
<td>12.789</td>
<td>7</td>
<td>1.827</td>
<td>.678</td>
<td>.691</td>
</tr>
<tr>
<td>Within Groups</td>
<td>837.908</td>
<td>311</td>
<td>2.694</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>982.000</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3

Linearity Test of Employee Performance and Flexible Recruitment Policies

<table>
<thead>
<tr>
<th></th>
<th>ANOVA Table</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sum of Squares</td>
</tr>
<tr>
<td><strong>Employee Performance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>(Combined)</strong></td>
<td>266.089</td>
</tr>
<tr>
<td><strong>Between Groups</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Flex. Recruitment</strong></td>
<td>253.178</td>
</tr>
<tr>
<td><strong>Linear</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Deviation</strong></td>
<td>12.910</td>
</tr>
<tr>
<td><strong>Within Groups</strong></td>
<td>715.911</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>982.000</td>
</tr>
</tbody>
</table>

Based on these results, the deviation from linearity significance values for the Gig Economy Adoption variable is 0.691 (>0.05), for Flexible Recruitment Policies it is 0.587 (>0.05), and for Work Engagement it is 0.772 (>0.05). These results indicate a significant linear relationship between Gig Economy Adoption, Flexible Recruitment Policies, and Work Engagement with Employee Performance. This linearity is further confirmed by comparing the calculated F-values with the F-table values, where the calculated F-values for each variable are less than the F-table value of 0.21, demonstrating that Gig Economy Adoption, Flexible Recruitment Policies, and Work Engagement have a significant linear relationship with Employee Performance..

c. Multicollinearity Test

The results of the multicollinearity test for each independent variable are presented in the following table:

Table 4

Linearity Test of Employee Performance and Work Engagement

<table>
<thead>
<tr>
<th></th>
<th>ANOVA Table</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sum of Squares</td>
</tr>
<tr>
<td><strong>Employee Performance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>(Combined)</strong></td>
<td>418.099</td>
</tr>
<tr>
<td><strong>Between Groups</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Work Engagement</strong></td>
<td>308.997</td>
</tr>
<tr>
<td><strong>Linear</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Deviation</strong></td>
<td>19.012</td>
</tr>
<tr>
<td><strong>Within Groups</strong></td>
<td>563.991</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>982.000</td>
</tr>
</tbody>
</table>
Table 5

Multicollinearity Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients$^a$</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
<td>Standardized Coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.782</td>
<td>.358</td>
</tr>
<tr>
<td>1</td>
<td>Adoption of the Gig Economy</td>
<td>.068</td>
</tr>
<tr>
<td></td>
<td>Flexible Recruitment Policies</td>
<td>.268</td>
</tr>
<tr>
<td></td>
<td>Work Engagement</td>
<td>.387</td>
</tr>
</tbody>
</table>

$^a$ Dependent Variable: Employee Performance

Based on the Coefficients table above, it is observed that the tolerance value for the Adoption of the Gig Economy variable is 0.708, for Flexible Recruitment Policies it is 0.619, and for Work Engagement it is 0.716. Each of these tolerance values is greater than 0.10 (>0.10), indicating the absence of multicollinearity in the regression model. Similarly, the VIF values for each variable are below the cut-off value of 10.00 (<10.00), further confirming the absence of multicollinearity in the regression model used in this study.

d. Heteroscedasticity Test

The results of the heteroscedasticity test are presented in the following SPSS output table:

Table 6

Heteroscedasticity Test Results

| Model | Coefficients$^a$ | |
|-------|--------------------|------------------|---------|
|       | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|       | B | Std. Error | Beta | |
| (Constant) | 1.057 | .206 | 5.120 | .000 |
| 1 | Adoption of the Gig Economy | -.004 | .029 | -.008 | -.124 | .902 |
| | Flexible Recruitment Policies | -.003 | .032 | -.007 | -.098 | .922 |
| | Work Engagement | .017 | .029 | .038 | .570 | .569 |

$^a$ Dependent Variable: Abs_RES
Based on the Coefficients table above, it is evident that the significance (Sig.) values for each variable are greater than 0.05 (>0.05). These results indicate that there is no heteroscedasticity in the regression model used in this study.

4.2 HYPOTHESIS TESTING

The model developed in this study is illustrated as follows:

**Figure 1**
*Path Analysis Model of the Study*

![Path Analysis Model of the Study](image)

The results from the classical assumption tests previously conducted indicate that the model meets the requirements for a robust regression model. To test the hypotheses developed, the researchers conducted two regression steps based on the path analysis model. The steps are as follows:

a. a regression test to determine the influence of the Adoption of the Gig Economy ($X_1$) and Flexible Recruitment Policies ($X_2$) on Work Engagement ($Y$) (Path Coefficient I);

b. a regression test to determine the influence of the Adoption of the Gig Economy ($X_1$), Flexible Recruitment Policies ($X_2$), and Work Engagement ($Y$) on Job Performance ($Z$) (Path Coefficient II).

Based on the results of these two regression models, the validity of the hypotheses developed in this study can be determined. The results of the tests are as follows:
a. Regression Test for Path Coefficient I

The results of the regression test for the influence of the Adoption of the Gig Economy (X₁) and Flexible Recruitment Policies (X₂) on Work Engagement (Y) (Path Coefficient I) are as follows:

Table 7
Path Coefficient I Regression Results

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Flexible Recruitment Policies, Adoption of the Gig Economy

<table>
<thead>
<tr>
<th>ANOVA&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Work Engagement
b. Predictors: (Constant), Flexible Recruitment Policies, Adoption of the Gig Economy

c. Coefficients<sup>a</sup>

<table>
<thead>
<tr>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>Adoption of the Gig Economy</td>
</tr>
<tr>
<td>Flexible Recruitment Policies</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Work Engagement

Based on the regression output table, it is evident that the significance values for the independent variables, Adoption of the Gig Economy (X₁) and Flexible Recruitment Policies (X₂), are 0.002 and 0.000, respectively. These significance (Sig.) values are less than 0.05, indicating that for Path Coefficient I, the variables Adoption of the Gig Economy (X₁) and Flexible Recruitment Policies (X₂) have a positive and significant effect on Work Engagement (Y). The R Square value shows that the contribution of these two variables to Work Engagement (Y) is 28.4 percent, while the remaining 71.6 percent is attributed to other variables not examined in this study. The value of e₁ for Path
Coefficient I is calculated using the formula $e1 = \sqrt{1 - 0.284} = 0.846$. Thus, the path diagram for Path Coefficient I is obtained as follows:

Figure 2
Path Coefficient I

b. Regression Test for Path Coefficient II

The results of the second regression test for the influence of the Adoption of the Gig Economy ($X_1$), Flexible Recruitment Policies ($X_2$), and Work Engagement ($Y$) on Job Performance ($Z$) (Path Coefficient II) are as follows:

Table 8
Path Coefficient II Regression Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.720$^a$</td>
<td>.584</td>
<td>.578</td>
<td>1.383</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Work Engagement, Adoption of the Gig Economy, Flexible Recruitment Policies

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3</td>
<td>125.768</td>
<td>65.724</td>
<td>.000$^p$</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>316</td>
<td>1.914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>982.000</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employee Performance
b. Predictors: (Constant), Work Engagement, Adoption of the Gig Economy, Flexible Recruitment Policies

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
</table>
Based on the regression output table, it is evident that the significance values for the variables Adoption of the Gig Economy ($X_1$), Flexible Recruitment Policies ($X_2$), and Work Engagement ($Y$) are less than 0.05 ($<0.05$). This indicates that for Path Coefficient II, the variables Adoption of the Gig Economy ($X_1$), Flexible Recruitment Policies ($X_2$), and Work Engagement ($Y$) have a positive and significant effect on Job Performance ($Z$). The R Square value in the Model Summary is 0.584, indicating that the contribution of the Adoption of the Gig Economy ($X_1$), Flexible Recruitment Policies ($X_2$), and Work Engagement ($Y$) to Job Performance ($Z$) is 58.4 percent, while the remaining 41.6 percent is attributed to other variables not examined in this study. The value of $e^2$ for Path Coefficient II is calculated using the formula $e^2 = \sqrt{1 - 0.584} = 0.645$. Thus, the path diagram for Structure II is obtained as follows:

**Figure 3**

*Path Coefficient II*

Based on the regression tests for both path structures I and II, the following conclusions can be drawn:
From the path analysis for Path Coefficient I, it is evident that the significance (Sig.) value for the influence of the Adoption of the Gig Economy (X1) on Work Engagement (Y) is 0.002 (<0.05). This result indicates a positive and significant direct effect of the Adoption of the Gig Economy on Work Engagement. Hence, H1, which states that the adoption of the gig economy affects the work engagement of PPPK employees in local government, is proven and accepted. Similarly, for the influence of Flexible Recruitment Policies (X2) on Work Engagement (Y), the significance (Sig.) value is 0.000 (<0.05). Thus, H2, which states that flexible recruitment policies affect the work engagement of PPPK employees in local government, is also proven and accepted.

From the path analysis for Path Coefficient II, the significance (Sig.) values for the influence of the Adoption of the Gig Economy (X1), Flexible Recruitment Policies (X2), and Work Engagement (Y) on Job Performance (Z) are 0.002, 0.000, and 0.000 (<0.05), respectively. These results indicate a positive and significant direct effect of both the Adoption of the Gig Economy (X1) and Flexible Recruitment Policies (X2) on Job Performance (Z). Thus, H3, stating that the adoption of the gig economy affects the performance of PPPK employees in local government, H4, stating that flexible recruitment policies affect the performance of PPPK employees in local government, and H5, stating that work engagement affects the performance of PPPK employees in local government, are all proven and accepted.

Based on the path analysis of Path Coefficient II, the direct effect of the Adoption of the Gig Economy (X1) on Performance (Z) is 0.170. The indirect effect is calculated by multiplying the beta value of X1 on Y (Work Engagement) with the beta value of Y on Z, resulting in 0.175 x 0.396 = 0.070. Therefore, the total effect of the Adoption of the Gig Economy (X1) on Performance (Z) is the sum of the direct and indirect effects, i.e., 0.170 + 0.070 = 0.240. Similarly, the direct effect of Flexible Recruitment Policies (X2) on Performance (Z) is 0.269, with an indirect effect of 0.420 x 0.396 = 0.166, resulting in a total effect of 0.269 + 0.166 = 0.435.

The mediating role of Work Engagement (Y) in the relationship between the Adoption of the Gig Economy (X1) and Flexible Recruitment Policies (X2) on Performance (Z) was assessed using the Sobel test. The mediation test using the
Sobel test produced a z-value of 3.138 for the effect of X1 on Z, and a z-value of 4.085 for the effect of X2 on Z. These results indicate that the z-values for mediation exceed 1.96 at a 5% significance level. Thus, H6, which posits that the gig economy and flexible recruitment policies influence the performance of PPPK employees in local government with work engagement as a mediator, is supported and accepted.

Statistical testing and path analysis confirm that the adoption of the gig economy and flexible recruitment policies not only have a direct and significant impact on performance but also gain additional strength through the mediation of work engagement. These findings suggest that the local government of North Sumatra can enhance the performance of its PPPK employees by establishing policies that balance flexibility and job stability. By strategically adopting the gig economy and implementing flexible recruitment policies, the government can create a work environment that is both adaptive and responsive to changing needs (Cameron, 2022; Vandy & Mohanty, 2023). However, to ensure that this flexibility does not undermine employee welfare, it is crucial to provide adequate support in the form of training, career development, and appropriate work benefits. Such support will enhance work engagement, which has proven to be a significant mediating factor in improving performance.

5 DISCUSSIONS

The results of the statistical tests and path analysis conducted demonstrate that the adoption of the gig economy and flexible recruitment policies significantly impact the performance of PPPK employees in the local government of North Sumatra Province. These findings align with existing theories and previous research, indicating that work flexibility can enhance employee performance by improving work-life balance and job satisfaction (Bloom et al., 2015; Felstead et al., 2006). Notably, the results also reveal that this relationship is significantly strengthened by the mediation of work engagement.

The path analysis reveals that the adoption of the gig economy and flexible recruitment policies not only directly affect performance but also
indirectly influence it through work engagement. This suggests that local governments can improve the performance of PPPK employees by establishing policies that balance work flexibility with job stability. Work engagement has proven to be a significant mediating factor, indicating that employees who feel engaged are likely to exhibit better performance.

The significance of work engagement as a mediating variable implies that merely adopting the gig economy and flexible recruitment policies is insufficient for enhancing performance. Governments must also ensure that employees feel supported and engaged in their work. This support can manifest through continuous training, career development opportunities, and adequate work benefits. Studies by Bakker et al. (2008), as previously stated, have shown that a supportive work environment and positive organizational culture can strengthen the relationship between work engagement and performance.

The findings also suggest that although the gig economy offers numerous advantages in terms of flexibility, there are challenges that need to be addressed. The lack of job stability and income uncertainty can lead to stress and insecurity for workers, ultimately reducing work engagement and performance (Kost et al., 2020; Malik et al., 2021; Wood et al., 2019). Therefore, policies implemented must balance providing flexibility with ensuring job stability and social protection for employees.

Thus, the local government of North Sumatra Province can enhance the performance of PPPK employees by strategically adopting the gig economy and implementing flexible recruitment policies while providing adequate support in the form of training, career development, and work benefits. This approach will create a work environment that is adaptive and responsive to changing needs, ensuring that employees feel engaged and supported in their work, ultimately leading to improved performance.

This study provides critical insights for policymakers and human resource management practitioners in local government settings. The adoption of the gig economy and flexible recruitment policies should be accompanied by efforts to enhance work engagement to maximize employee performance. Consequently, a balanced approach between flexibility and stability can create optimal working conditions for PPPK employees in local government environments.
6 CONCLUSION

This study demonstrates that both the adoption of the gig economy and flexible recruitment policies exert a positive and significant impact on employee performance. Furthermore, work engagement has been identified as a mediating factor that enhances the relationship between these independent variables and employee performance. This underscores the essential role of work engagement in augmenting employee performance within the context of the gig economy. The findings of this study also highlight that local governments should strategically implement gig economy principles and flexible recruitment policies to foster a work environment that is both adaptive and responsive to evolving needs. It is imperative, however, to ensure that the flexibility offered does not undermine employee stability and well-being. Governments must provide adequate support through continuous training, career development opportunities, and appropriate work benefits. Such support will enhance work engagement, which in turn will improve the performance of PPPK employees.

The results of this study offer valuable insights for policymakers and human resource management practitioners within local government settings. The strategic adoption of the gig economy and flexible recruitment policies can serve as effective tools for enhancing employee performance when balanced with policies that promote work engagement and employee well-being. By establishing a balance between flexibility and stability in employment, local governments can ensure that PPPK employees not only perform efficiently but also feel valued and supported in their roles. This, ultimately, contributes to the overall performance and effectiveness of the organization.
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