

Performance Management in Managing Permanent and Contract Workers: A Systematic Review

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ABSTRACT

Performance management is a key element in managing the workforce of permanent and contract workers. This difference in employment status presents challenges for organizations in implementing effective performance management strategies. This research aims to identify trends, best practices, and challenges in performance management for permanent and contract workers through a Systematic Literature Review (SLR) approach. This research method follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) steps to screen relevant literature. A total of 41 Scopus-indexed journal articles published between 2020 and 2025 were systematically analyzed. Selection criteria included articles that addressed the strategy, implementation, and effectiveness of performance management in permanent and contract workers in various industry sectors. The analysis shows significant differences in the performance management applications for permanent and contract workers. Permanent workers receive long-term development-based approaches, such as continuous training and long-term performance-based evaluations. In contrast, contract workers often face project-based evaluation systems focusing on short-term results, which impact job engagement and loyalty. In addition, a key challenge in managing the performance of contract workers is limited access to career development programs and high turnover rates. This research makes academic and practical contributions to understanding how organizations can develop performance management policies that are more inclusive and effective for both permanent and contract workers. Its implications include the need for flexible approaches in performance evaluation systems and different retention strategies for each category of workers. The study also suggests that future research should further examine the effectiveness of performance management approaches with empirical data across industries.

Keywords: *Performance Management, Permanent Workers, Contract Workers, Systematic Literature Review (SLR), Human Resource Management.*

1. INTRODUCTION

In an increasingly dynamic business environment, the effectiveness of performance management is crucial to improving labour productivity, both for permanent and contract workers. Performance management not only serves as a tool to evaluate employee performance but also as an organizational strategy to ensure that each individual contributes optimally to company goals (Aguinis, 2019).

Permanent and contract workers have different characteristics in terms of rights, obligations, and attachment to the company, which ultimately affects how organizations manage their performance (Kuvaas et al., 2021). Permanent workers enjoy long-term development programs, job stability, and more structured career paths. In contrast, contract workers are more likely to experience job insecurity, project-based evaluation systems, and limited career development opportunities (Lepak & Snell, 2020). These differences can lead to differences in motivation, loyalty, and job engagement levels between the two workers groups (Guest, 2021).

Global trends show that companies are increasingly adopting flexible work models by increasing the number of contract workers to reduce labour costs and improve efficiency (Cappelli & Keller, 2021). However, this approach also presents new challenges in performance management, especially in creating a fair and effective evaluation system for both groups of workers. Previous research has shown that a lack of attention to differences in characteristics between permanent and contract workers in performance management systems can negatively impact retention, job satisfaction, and overall organizational productivity (Schleicher et al., 2018).

Although there are many studies on performance management, there is still a gap in the literature on how organizations can manage the performance of permanent and contract workers simultaneously in one effective system.

Therefore, this study uses the Systematic Literature Review (SLR) method to review the published literature within 2020-2025 to identify best practices, challenges, and solutions that can be applied in the performance management of permanent and contract workers.

This study can provide greater insight into how organizations can develop performance management strategies that are effective and inclusive of the entire workforce, improving employee engagement, productivity, and corporate competitiveness in the global market.

2. LITERATURE REVIEW

2.1 Expectation-Confirmation Theory

In the context of performance management, the Expectation-Confirmation Theory (ECT) proposed by Oliver (1980) is the main theoretical framework in this study. This theory explains that individual satisfaction with a system or policy is highly dependent on the extent to which their initial expectations are met through their experiences. If expectations of a system match the reality received, individuals tend to have a higher level of satisfaction. Conversely, dissatisfaction will arise if there is a gap between expectations and the results obtained.

In the context of permanent and contract workers, this theory can be used to understand how employees assess organizational performance management systems. Permanent workers generally have expectations of job stability, long-term career development, and merit-based compensation. If the performance management system implemented by the organization can meet these expectations, their job satisfaction and loyalty to the company will increase. On the other hand, contract workers often expect a fair project-based evaluation system, contract renewal opportunities, and performance-based incentives. If the organization fails to meet these expectations, contract workers' engagement and retention levels tend to be lower.

This theory provides insight for organizations in designing performance management systems that are objective and able to meet the expectations of each group of workers. By understanding the differences in expectations between permanent and contract workers, organizations can reduce turnover rates and improve the effectiveness of their overall workforce management strategy.

2.2 Performance Management Concept

Performance management is a process designed to improve individual and organizational effectiveness through planning, monitoring, evaluating, and developing employee performance (Aguinis, 2019). It serves as a tool to assess individual achievements and a strategy to align individual goals with the organization's vision and mission. In practice, performance management involves various processes such as goal formulation, continuous monitoring, data-driven evaluation, and providing constructive feedback to employees.

In recent years, the performance management approach has undergone significant changes along with the increasing flexibility of the workforce and the need for organizations to accommodate various forms of employment relationships. Companies must implement a results-based performance evaluation system and consider psychological aspects such as employee motivation and attachment to the organization. With permanent and contract workers in an organization, the performance management system should be able to accommodate the needs and expectations of both categories of workers.

2.3 Differences in Performance Management for Permanent and Contract Workers

In the context of the modern workforce, organizations face the challenge of effectively managing permanent and contract workers within a single performance management system. Permanent workers generally have greater job stability, clearer career paths, and broader development opportunities. Organizations tend to apply a competency-based evaluation system for permanent workers by considering long-term achievements, leadership abilities, and contributions to innovation. In addition, they also have access to various training and development programs aimed at improving their skills and productivity on an ongoing basis.

In contrast, contract workers often face higher job insecurity due to the limited duration of their contracts and lack of access to employee development programs. Performance evaluations for contract workers are usually project-based or task-specific, with an orientation towards short-term results. Organizations that employ contract workers tend to focus more on achieving operational targets than developing long-term competency. The main challenge in performance management systems for contract workers is low job engagement due to a lack of organization ownership and high turnover.

The different approaches to performance management of permanent and contract workers require organizations to develop more flexible and adaptive strategies. Suppose performance evaluation systems do not consider the needs and expectations of each group of workers. In that case, organizations risk experiencing imbalances in workforce management, which can ultimately impact overall organizational productivity and effectiveness.

2.4 Relationship Between Variables

This research focuses on the relationship between performance management, permanent workers, and contract workers in the context of workforce management effectiveness. The relationship between these variables can be explained through theory and previous research findings, especially how performance management systems affect productivity, job satisfaction, and workforce retention based on employment status.

2.4.1 Relationship between Performance Management and Permanent Employees

Effective performance management systems for permanent workers generally emphasize long-term development, career continuity, and competency-based performance evaluation. In Expectation-Confirmation theory (Oliver, 1980), permanent workers expect job stability, professional development opportunities, and fair and sustainable compensation. When organizations can meet these expectations through a transparent and meritocracy-based performance management system, job satisfaction and employee loyalty will increase.

Several studies have shown that permanent workers who receive clear and competency-based performance evaluations are likelier to show high company engagement (Aguinis, 2019). In addition, performance management that includes training and career development contributes to increased work motivation and productivity. Thus, there is a positive relationship between the effectiveness of performance management systems and the performance of permanent workers and their retention in the company.

2.4.2 Relationship between Performance Management and Contract Workers

Unlike permanent workers, contract workers have more flexible expectations of the performance management system. They generally expect project-based evaluations, competitive compensation, and opportunities for contract renewal based on their performance. The performance management system applied to contract workers must adapt to the nature of their work, which is more flexible and tied to specific projects or targets.

Previous research shows that performance management systems that are too rigid and do not consider the characteristics of contract workers can lead to job dissatisfaction and increased turnover rates (Guest, 2021). For example, suppose contract workers feel that their performance evaluations do not reflect actual work results or there is no clarity regarding the possibility of contract extension. In that case, they will likely seek employment opportunities elsewhere.

On the other hand, results-oriented performance management strategies and performance-based rewards have been shown to increase contract workers' motivation and engagement. Incentives based on project achievements and transparent evaluation systems can increase their commitment to the organization, even though they do not have long-term job security. Therefore, organizations must design flexible and results-based performance management systems to maximize contract workers' productivity without compromising job satisfaction.

2.4.3 Relationship between Permanent and Contract Workers in Performance Management System

In many organizations, permanent and contract workers work within the same system but with different performance management expectations. Imbalances in the performance management system can lead to gaps in work engagement and productivity between the two groups of workers. If permanent workers get more development opportunities than contract workers, then contract workers may feel less valued and less motivated.

In addition, differences in evaluation systems may lead to perceived injustice by one group of workers. For example, suppose permanent workers get more comprehensive feedback and evaluation than contract workers. In that case, contract workers may feel that they do not have the same opportunities to grow within the organization. Therefore, companies must balance the performance management system to remain relevant to both categories of workers without creating motivation and job satisfaction gaps.

Some strategies that can be implemented to reduce this gap include aligning project-based evaluation systems for contract workers with competency-based systems for permanent workers, providing balanced incentives, and creating an inclusive work environment for the entire workforce. Organizations can improve overall productivity by

implementing a flexible and needs-based performance management system and creating a more harmonious working relationship between permanent and contract workers.

3. RESEARCH METHODS

3.1 Research Approach

This study uses a Systematic Literature Review (SLR) approach to identify, evaluate, and synthesize relevant research on performance management in managing permanent and contract workers. This method ensures that the studies analyzed have a strong academic basis and follow systematic selection procedures by the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) protocol.

SLR allows researchers to collect and review empirical evidence from various academic studies to better understand the topic under study. This study's main data source is the Scopus database, with a publication year range of 2020 to 2025.

3.2 Literature Search and Selection Procedure

The literature search was conducted through the Scopus database using relevant keywords, including "performance management," "permanent workers," "contract workers," "employee performance evaluation," and "HRM practices." The process was systematically conducted by considering the relevance of the title, abstract, and suitability to the research topic.

The literature selection process follows the PRISMA flow, which consists of identification, screening, eligibility assessment, and inclusion stages. The PRISMA model used in this study is shown in Figure 1.

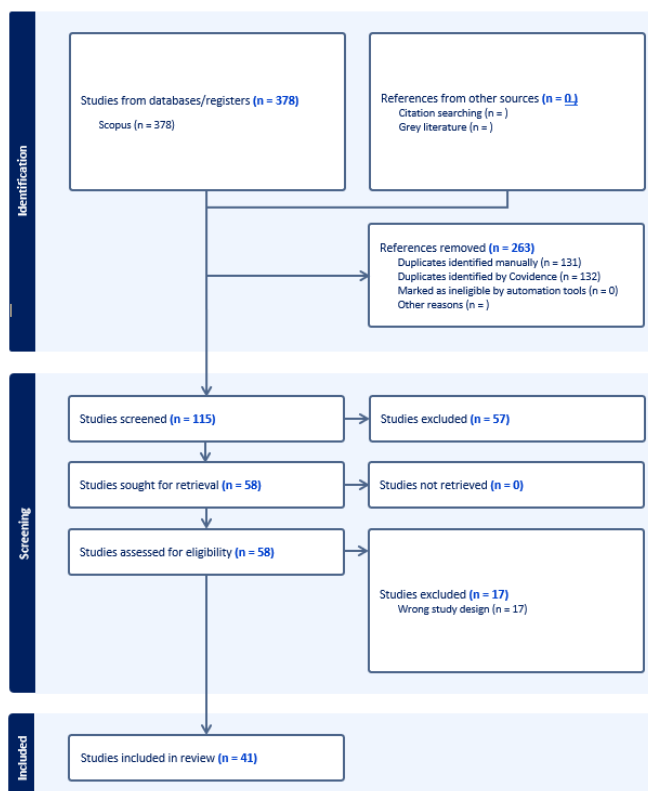


Figure 1. Framework

3.3. PRISMA Model

The following figure shows the flow of literature selection following the PRISMA principle. PRISMA diagram showing the literature selection process in this study. The stages in the PRISMA model are explained as follows:

1. Identification:
 - A total of 378 articles were identified from the Scopus database.

- After manually screening for duplication and using Covidence software, 103 articles were removed due to duplication or irrelevance.
- 2. Screening:
 - Of the remaining 115 articles, 57 were excluded because they did not meet the initial selection criteria.
 - A total of 58 articles were considered for the next stage.
- 3. Feasibility Assessment:
 - Fifty-eight articles were further evaluated based on the appropriateness of the research design and their contribution to the research topic.
 - A total of 17 articles were excluded for using irrelevant study designs.
- 4. Inclusion:
 - This study included a systematic analysis of 41 articles that met the final selection criteria.

3.4 Inclusion and Exclusion Criteria

To ensure that only relevant studies were included in this systematic review, this study applied the following inclusion and exclusion criteria:

Inclusion Criteria:

1. Articles published in Scopus-indexed academic journals.
2. Studies that discuss performance management in the context of permanent and contract workers.
3. Articles published within 2020-2025 to ensure relevance to current trends.
4. Articles are available in English or Indonesian.
5. Quantitative-based studies or systematic reviews relevant to the research topic.

Exclusion Criteria:

1. Non-academic articles such as opinion pieces, editorials, or industry reports without academic review.
2. Studies with irrelevant research designs, such as individual case studies or exploratory research that is not based on empirical data.
3. Articles that are not available in full format or are only available in abstract form.

3.5 Data Analysis Technique

After 41 articles were selected through the PRISMA selection process, the next step was content analysis to identify the main themes related to performance management for permanent and contract workers. The analysis was conducted using the coding method to group the data into thematic categories, which included:

1. Performance Management Approach
 - Competency-based and project-based performance evaluation systems.
 - Incentive and compensation strategies for permanent and contract workers.
2. Factors Affecting the Effectiveness of Performance Management
 - Organizational factors: work culture, leadership, HR policies.
 - Individual factors: work motivation, job satisfaction, employee engagement.
3. Impact of Performance Management on Retention and Productivity
 - How evaluation systems affect job loyalty and engagement.
 - Differences in the impact on permanent and contract workers.

Each article was categorized based on relevance to each theme to provide a systematic and evidence-based synthesis of the research questions.

4. RESULTS AND DISCUSSION

4.1 Research Trends in Performance Management

From the 41 journals collected in 2020-2025, research on performance management is developing significantly in several aspects. Some of the major themes that have emerged in the literature include:

1. Performance Evaluation Approach
 - Many studies have highlighted the differences in performance evaluation systems between permanent and contract workers.
 - Some studies show that permanent workers are often evaluated based on long-term competency development, while contract workers are evaluated based on projects or short-term results.
2. Employee Engagement and Motivation

- Research shows that contract workers tend to be less engaged in their jobs than permanent workers due to a lack of job security and limited access to career development.
 - Permanent workers are more engaged in the organization's achievements due to the clarity of career paths and long-term incentives.
3. Impact of Performance Management on Employee Retention
 - The study found that a fair and results-based *performance management* system improves the retention of permanent and contract workers.
 - Organizations that provide performance-based rewards to permanent and contract workers have lower turnover rates than those that do not implement an achievement-based incentive system.

4.2 Comparison of Performance Management for Permanent and Contract Workers

Based on the journal analysis, several key differences exist in the implementation of performance management for permanent and contract workers.

1. Permanent workers:
 - Competency-based evaluation with a focus on long-term development.
 - Greater access to training and career development.
 - Incentives include promotions, salary increases, and performance bonuses.
 - Higher levels of job attachment due to job stability.
2. Contract workers:
 - Project-based evaluation or short-term work outcomes.
 - Limited access to long-term training and development.
 - More flexible incentives but often less sustainable.
 - Higher turnover rate due to lack of job security.

The journals reviewed found that companies that adopted a flexible approach to performance management systems were more successful in increasing labour productivity and reducing the job satisfaction gap between permanent and contract workers.

4.3 Challenges in Performance Management Implementation

From the analysis, there are several main challenges faced by organizations in implementing performance management systems for permanent and contract workers:

1. Differences in Employee Expectations and Expectations
Permanent workers prefer stability, while contract workers prefer flexibility and project-based compensation.
2. Gaps in Access to Career Development
Many companies focus more on developing permanent workers than contract workers, leading to gaps in skills and engagement.
3. Difficulty in Maintaining Fairness in Performance Evaluation
The same evaluation system may not be effective for permanent and contract workers, requiring a more specific and needs-based approach for each group.

4.4 Optimal Strategy for Performance Management

The journal findings analyzed some strategies that can be applied to improve the effectiveness of performance management for permanent and contract workers, including:

1. Differentiated Approach to Performance Evaluation
Use a competency-based system for permanent workers and a project-based for contract workers.
2. Increased Flexibility in Performance Management System
Provide greater access to training for contract workers to improve their engagement.
3. Balanced Implementation of Incentives
Provide performance-based rewards for both groups of workers to increase motivation and retention.
4. Use of Technology in Performance Management
Implementation of a data-driven system to improve transparency and objectivity in performance evaluation.

5. CONCLUSION

Permanent workers expect job stability, long-term career development, and performance-based incentives over a longer period. Performance management systems implemented for permanent employees are generally competency-based, focusing on periodic evaluations, ongoing training programs, and advancement opportunities. Organizations that implement this strategy have proven to increase the loyalty and engagement of permanent employees, which positively impacts organizational productivity and effectiveness.

In contrast, contract workers are more short-term results-oriented, with project-based evaluations and incentives based on achieving targets in their employment contracts. However, research shows that contract workers' job engagement is often lower than permanent workers, as they face uncertainty about contract continuation and limited access to professional development programs. To improve the job effectiveness and retention of contract workers, organizations need to implement more flexible and project-based evaluation systems, provide more competitive rewards, and provide training opportunities that can improve their skills.

In addition, this study also found that one of the main challenges in performance management is maintaining a balance between the needs of permanent and contract workers in a fair and effective system. If the performance evaluation system favours one group of workers, then inequalities can impact job satisfaction and overall organizational effectiveness. Therefore, companies are advised to use a differentiated approach in the performance evaluation system, ensure transparency in incentives, and adopt data-driven technology to increase objectivity in performance management.

This research contributes to providing insight into the importance of implementing performance management strategies that are inclusive and adaptive to changes in the workforce structure. However, this study has limitations because it is only based on a systematic literature review and does not include any direct empirical data from specific companies or industries. Therefore, further research is recommended to conduct empirical studies to test the effectiveness of various performance management approaches in different industry contexts and assess their impact on organizational productivity and workforce retention in the long run.

By adopting a more flexible, data-driven, and workforce welfare-oriented approach, organizations can ensure that their performance management system supports sustainable business growth and creates a more productive and inclusive work environment for both permanent and contract workers.

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