

Building Work Engagement through Appraisal Satisfaction and Psychological Contract in the Indonesian Public Sector

Izati Choirina^{1*}, Riani Rachmawati²

¹Student, Department of Management, The University of Indonesia, Jakarta, Indonesia

²Supervisor, Department of Management, The University of Indonesia, Jakarta, Indonesia

Abstract: This study examines how satisfaction with performance appraisal system fosters work engagement through psychological contract among employees in the Financial and Development Supervisory Board in Indonesia. Drawing on social exchange theory (SET), we propose that employees who perceive the appraisal system as fair, unbiased, effective, and useful are more likely to believe that their organization honors implicit promises and mutual obligations, which in turn enhances their engagement at work. Data were collected through a survey from 254 civil servant in Indonesia and analyzed using partial least squares structural equation modeling (PLS-SEM). The study shows that the level of satisfaction that employees feel about the performance appraisal system is closely tied to how they view their relationship with the organization and how engaged they are in their work. When the appraisal process is experienced as fair, clear, and genuinely useful, employees feel that the organization keeps its promises, and this strengthened psychological contract helps transform positive appraisal experiences into higher work engagement. This implies that public sector organizations need not only a technically sound appraisal design, but also careful implementation through good communication, transparent procedures, and consistent follow-up, so that employees perceive the system as a real sign of organizational commitment rather than a mere administrative routine.

Keywords: BPKP, civil servants, Indonesia, psychological contract, public sector, satisfaction with performance appraisal system, work engagement.

1. Introduction

Work engagement has become a critical outcome for public sector organizations because it is closely linked to performance, service quality, and employee well-being (Darmawan et al., 2024; Santosa et al., 2025). To sustain such engagement, the fairness and effectiveness of organizational evaluation systems are paramount (Obuobisa-Darko & Sokro, 2023). In Indonesia, performance appraisal results are strongly connected to promotion, recognition, and professional credit points, particularly in strategic oversight institutions such as the Financial and Development Supervisory Board in Indonesia (Badan Pengawasan Keuangan dan Pembangunan). However, internal reports indicate that work engagement among employees is below a healthy threshold, suggesting low levels

of vigor, dedication, and absorption. This situation raises concerns about the effectiveness of current performance management practices and the extent to which employees perceive the appraisal system as credible and supportive.

Satisfaction with the performance appraisal system is a central attitudinal response that reflects how employees evaluate the clarity, fairness, and usefulness of appraisal processes and outcomes (Abdullah & Khatoon Malik, 2022; Micacchi et al., 2024). When employees are satisfied with the appraisal system, they are more likely to accept performance ratings, trust managerial decisions, and view feedback as constructive rather than punitive (Keeping & Levy, 2000; Kuvaas, 2006). In contrast, dissatisfaction may emerge when appraisal criteria are perceived as opaque, inconsistent, or disconnected from actual contributions (Greenberg, 1986). Such perceptions can undermine confidence in the system and weaken employees' willingness to invest effort and energy in their work, thereby reducing work engagement (Chan, 2021).

The psychological contract offers a key explanatory mechanism for how satisfaction with the performance appraisal system might translate into work engagement (Wonda et al., 2024). Psychological contract refers to employees' beliefs about mutual obligations between themselves and the organization, including expectations of recognition, fair treatment, and career opportunities (Kreitner & Kinicki, 2013; Costa & Oliveira, 2022; Ngobeni et al., 2022; Lemmon et al., 2016). When appraisal systems are experienced as effective and omit satisfactory, employees may interpret this as evidence that the organization honors its promises, thereby strengthening the psychological contract (Ayoun et al., 2022). Guided by social exchange logic, a stronger psychological contract encourages employees to reciprocate with higher levels of work engagement, expressed through enthusiasm, persistence, and deeper involvement in their tasks (Wonda et al., 2024).

Despite the increasing emphasis on performance management reform in Indonesia, the relationships among satisfaction with the performance appraisal system, psychological contract, and work engagement have not been systematically examined within the context of public sector in

*Corresponding author: izati.choirina@ui.ac.id

Indonesia. Previous studies often consider these constructs separately or focus on outcomes such as turnover intention rather than engagement (Santosa et al., 2025). This study addresses that gap by testing a model in which satisfaction with the performance appraisal system influences work engagement directly and indirectly through the psychological contract among employees in an Indonesian public sector organization. By concentrating on these three variables, the study aims to clarify the psychological pathways through which appraisal practices shape engagement and to provide actionable insights for strengthening performance appraisal systems in similar bureaucratic settings.

2. Theoretical Background

A. Social Exchange Theory as an Integrative Lens

This study is grounded in Social Exchange Theory (SET), which explains how relationships are formed and maintained based on perceived reciprocity between parties. SET posits that individuals evaluate social relationships in terms of costs and benefits and are more likely to sustain relationships when the perceived rewards outweigh the costs (Emerson, 1976; Nord, 1973). In the employment context, employees form implicit exchange relationships with their organizations based on the provision of valued resources such as fair treatment, recognition, and development opportunities, and they respond with loyalty, effort, and engagement when they believe the organization is fulfilling its obligations (Ahmad et al., 2023).

Applied to performance management, SET suggests that when employees perceive the appraisal system as fair, transparent, effective, supportive, and omits satisfactory to employee, they interpret it as a positive signal of organizational commitment (Ayoun et al., 2022). This perception strengthens their willingness to reciprocate through positive attitudes and behaviors, including stronger psychological contracts and higher work engagement (Chan, 2021). In this way, satisfaction with the performance appraisal system and the psychological contract can be seen as key psychological mechanisms that translate organizational practices into engagement outcomes.

B. Satisfaction with Performance Appraisal System

Satisfaction with the performance appraisal system refers to employees' overall evaluation of how effective, fair, and useful the appraisal system is in assessing and supporting their performance. In the original study, it is defined as the extent to which employees feel satisfied with the appraisal procedures, the resulting ratings, and the way these ratings reflect their contributions. The construct is operationalized using items adapted from Micacchi et al. (2024) and Kim & Rubianty (2011), capturing perceptions of system effectiveness, overall quality, fairness and lack of bias, and global satisfaction with one's performance evaluation.

The literature indicates that satisfaction with appraisal systems is closely tied to justice perceptions. Early work showed that perceptions of fairness in appraisal procedures and outcomes shape attitudinal reactions such as satisfaction, engagement, absenteeism, and citizenship behavior (Colquitt,

2001; Cook & Crossman, 2004). More recent studies have explicitly linked satisfaction with appraisal systems to SET, arguing that when employees experience the system as fair and supportive, they infer that the organization values their contributions and is committed to them. This, in turn, creates a sense of reciprocal obligation that strengthens their psychological contract and encourages positive contributions to the organization (Ayoun et al., 2022).

C. Psychological Contract

The psychological contract describes individuals' beliefs about the mutual obligations that govern the exchange relationship between employees and their organization (Rousseau, 2010). In the work setting, these beliefs encompass expectations about what employees should receive, such as fair treatment, career development, well-being, and recognition, in return for their contributions, as well as what the organization expects from them in terms of performance and commitment. Although unwritten, the psychological contract exerts a strong influence on attitudes and behaviors at work, making its fulfilment or breach a critical issue for organizational effectiveness (Ahmad et al., 2023).

Contemporary research distinguishes between transactional and relational aspects of the psychological contract (Rousseau, 2010). Transactional elements involve more tangible, short-term exchanges such as pay and specific tasks. While relational elements reflect deeper expectations related to trust, loyalty, recognition, and long-term development. Breaches of either component can lead to lower satisfaction, reduced commitment, counterproductive work behaviors, and diminished engagement (Jensen et al., 2010). In contrast, fulfilment of the psychological contract has been shown to correlate positively with employee engagement in public sector settings, including government employees in collectivist cultures (Chan, 2021; Wonda et al., 2024).

Recent scholarship emphasizes not only the content of the psychological contract but also its dynamics about how fulfilment is perceived over time and how it connects with justice perceptions and social exchange processes. In the appraisal context, dissatisfaction with how performance is evaluated and rewarded can be interpreted as a breach, undermining trust and weakening employees' sense that the organization honors its implicit commitments. Conversely, when appraisal systems are experienced as fair and developmental, they reinforce the belief that the organization is keeping its side of the psychological contract, thereby strengthening the relationship between employee and organization.

D. Work Engagement

Work engagement is conceptualized as a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption (Bakker & Leiter, 2010; Nissinen et al., 2022). Vigor reflects high levels of energy and mental resilience at work. Dedication captures enthusiasm, pride, and a sense of significance. While absorption refers to being fully concentrated and engrossed in one's tasks. Together, these

dimensions indicate that engaged employees are not only physically present but also cognitively and emotionally connected to their work (Kulikowski, 2017). Work engagement has been linked to improved performance, innovation, and well-being, making it a key indicator of organizational health (Bakker & Demerouti, 2008).

In the public sector, engagement research has traditionally been framed by the Job Demands–Resources (JD–R) model, but more recent reviews highlight the value of SET for understanding engagement as an outcome of reciprocal exchanges between employees and organizations (Santosa *et al.*, 2025). From a social exchange perspective, engagement emerges when employees perceive that the organization fulfils its obligations and provides adequate support, prompting them to respond with higher energy, dedication, and involvement in their work (Nissinen *et al.*, 2022; Monks *et al.*, 2023; Wonda *et al.*, 2024). Empirical studies in government settings confirm that perceived fulfilment of the psychological contract is positively associated with employee engagement, reinforcing the view that engagement reflects the quality of the exchange relationship between employees and their organization (Wonda *et al.*, 2024).

E. Linking Satisfaction with Performance Appraisal System, Psychological Contract, and Work Engagement

Integrating these perspectives, satisfaction with the performance appraisal system can be viewed as a proximal attitudinal response to how employees experience performance management practices, while the psychological contract represents a deeper, relational construct that captures their beliefs about the broader exchange relationship with the organization. Prior studies have shown that satisfaction with the appraisal system is shaped by justice perceptions and, in turn, influences employees' sense of obligation and reciprocity toward the organization (Ayoum *et al.*, 2022; Micacchi *et al.*, 2024). In the initial research, satisfaction with the appraisal system was found to have a significant positive effect on both the psychological contract and work engagement, positioning it as a key antecedent of these psychological outcomes.

At the same time, the psychological contract has been identified as an important predictor of engagement (Chan, 2021). Empirical evidence from government sector employees indicates that fulfilment of psychological contract is positively related to engagement, suggesting that employees who believe their organization honours implicit promises are more likely to invest their energy and identity in their work (Chan, 2021; Wonda *et al.*, 2024).

From a SET standpoint, these findings imply a layered exchange process. When employees are satisfied with the appraisal system, they perceive that the organization is treating them fairly and recognizing their contributions, which enhances their belief that organizational obligations are being met and strengthens the psychological contract. Fulfilment of the psychological contract then creates a moral and emotional basis for reciprocation, leading employees to respond with higher levels of vigor, dedication, and absorption or a greater work engagement.

Based on this theoretical reasoning and prior empirical evidence, the present article focuses on an integrated model in which satisfaction with the performance appraisal system acts as a key antecedent, psychological contract serves as an intermediate psychological mechanism, and work engagement represents the primary outcome. This configuration highlights the psychological pathways through which performance appraisal practices can cultivate a more engaged public sector workforce.

3. Methodology

A. Research Design and Setting

This study adopts a quantitative, cross-sectional survey design to examine the relationships between satisfaction with the performance appraisal system, psychological contract, and work engagement among civil servants in the Indonesian public sector. The empirical setting is the Financial and Development Supervisory Board, a non-ministerial government institution that serves as the internal audit body for the Indonesian government and employs more than 6,500 staff across headquarters and provincial representative offices. In this article, we focus on three latent constructs such as satisfaction with the performance appraisal system, psychological contract, and work engagement.

B. Population, Sampling, and Data Collection

The target population comprises all civil servants working in the Financial and Development Supervisory Boards' units across Indonesia. To ensure relevance, only registered civil servants within the organization with at least one year of tenure and one prior formal performance rating were eligible to participate. A census approach was used by inviting all eligible employees via their official email accounts. Respondents were required to confirm that they had worked at the organization for more than one year before accessing the main questionnaire.

A total of 254 responses were received. Prior to analysis, the dataset was cleaned by removing multivariate outliers based on z-scores and straight-lining cases with zero response variance, resulting in the deletion of 14 cases. The final sample used in the main analysis consisted of 240 respondents. The sample is dominated by auditor positions and reflects the demographic profile of the organization in terms of gender, education, tenure, and unit distribution.

C. Measures

All constructs were measured using previously validated scales and translated/adapted to the organization context. Unless otherwise stated, items were rated on a seven-point Likert scale ranging from 1 ("strongly disagree") to 7 ("strongly agree").

Table 1
CR and AVE score

Variable	CR	AVE
Satisfaction with Performance Appraisal System	0.915	0.729
Psychological Contract	0.951	0.618
Work Engagement	0.954	0.873

Source: Primary data (2025)

1) Satisfaction with Performance Appraisal System

Satisfaction with the performance appraisal system captures employees' overall satisfaction with the design and function of the performance appraisal process in the organization. The construct was measured using four items adapted from Micacchi et al. (2024), which in turn build on Kim & Rubianty (2011). The items assess perceptions of the effectiveness of the system in evaluating performance, the overall quality of the system, the perceived fairness and lack of bias in performance ratings, and overall satisfaction with one's appraisal outcomes. All four items are treated as a unidimensional reflective construct, and pre-analysis tests show high factor loadings (≥ 0.84) and satisfactory convergent validity ($AVE > 0.50$).

2) Psychological Contract

Psychological contract refers to employees' perceptions of the organization's obligations and promises in the employment relationship, covering aspects such as fair procedures, development opportunities, safe working conditions, and job security. Building on Ayoun et al. (2022) and the broader psychological contract literature (Herriot et al., 1997; Rousseau, 2010), the construct was measured using twelve items that capture organizational obligations related to induction and training, fair HR procedures, support and recognition, fair compensation and benefits, and employment continuity. Items were rated on a seven-point agreement scale. In the main study, all indicators loaded above 0.59, with most exceeding 0.70, and the construct exhibited strong convergent validity ($AVE > 0.50$) and internal consistency.

3) Work Engagement

Work engagement is conceptualized as a positive, fulfilling work-related state characterized by vigor, dedication, and absorption. The construct was operationalized using nine items from the Utrecht Work Engagement Scale (UWES-9), adapted to the public-sector context following Micacchi et al. (2024), with three items for each dimension (vigor, dedication, and absorption). Example items include "At my work, I feel bursting with energy" (vigor), "I am enthusiastic about my job" (dedication), and "I get carried away when I am working" (absorption). Work engagement was modelled as a second-order reflective construct with the three first-order dimensions; all first-order and second-order loadings exceeded 0.88, and AVE values were well above the 0.50 threshold, indicating excellent convergent validity and reliability.

4) Instrument Development and Pre-Testing

Prior to the main survey, a readability pre-test was conducted with seven employees with diverse positions and educational backgrounds to ensure clarity and contextual fit of the items. Feedback from the pre-test was used to refine wording and ensure shared understanding of key concepts. Subsequent pre-test analyses showed that all items met standard criteria for validity and reliability ($KMO > 0.8$; Cronbach's $\alpha > 0.7$).

D. Data Analysis

Data analysis was conducted using Structural Equation Modelling with the Partial Least Squares approach (PLS-SEM). Given that multivariate normality tests (Kolmogorov–Smirnov and Shapiro–Wilk) indicated significant deviations from

normality for all indicators. The analysis followed the two-step procedure recommended by Hair et al. (2019). The first step is the evaluation of the measurement model (outer model) and followed by evaluation of the structural model (inner model).

Bootstrapping with 5,000 resamples was employed to obtain standard errors, t-statistics, and p-values for hypothesis testing and to assess indirect (mediated) effects. All analyses were conducted using SmartPLS 4. Ethical safeguards included voluntary participation, informed consent on the first page of the online questionnaire, and assurances of anonymity and confidentiality to minimize social desirability and common-method bias.

4. Results and Discussion

A. Result

1) Sample Characteristics

Data were collected from 254 employees in the Financial and Development Supervisory Board and cleaned for outliers and straight-line responses, resulting in 240 usable questionnaires for analysis. Respondents are predominantly Gen Y/Millennials (62.6%), mostly male (68.9%), and largely auditors (72.44%), reflecting the actual composition of BPKP staff. This provides a reasonably representative picture of employees who regularly experience the performance appraisal system.

2) Measurement Model

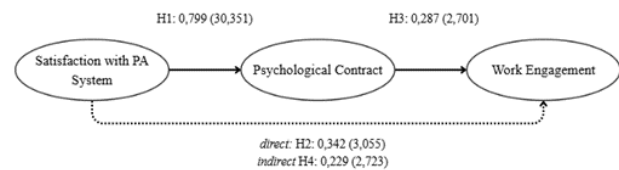


Fig. 1. Research model

The reflective measurement model was assessed in terms of convergent and discriminant validity. Convergent validity was evaluated using outer loadings and average variance extracted (AVE). Most indicators for satisfaction with performance appraisal system, psychological contract, and work engagement loaded above the recommended threshold of 0.708, indicating that the items adequately represent their respective latent constructs. A few indicators, such as PC5, exhibited loadings slightly below 0.708, but were retained because their removal did not materially improve the AVE or composite reliability of the constructs and values in the 0.40–0.70 range can be accepted when other indicators remain strong.

AVE values for all constructs exceeded 0.50, confirming that more than half of the variance in the indicators is explained by the underlying latent constructs. Internal consistency reliability was established, as both Cronbach's alpha and composite reliability coefficients were above the recommended cut-off of 0.70 for satisfaction with performance appraisal system, psychological contract, and work engagement. These results indicate that the measurement model has satisfactory convergent validity and reliability and can be used for further structural analysis.

Discriminant validity was examined using the Fornell–Larcker criterion and the heterotrait–monotrait (HTMT) ratio.

The square root of AVE for each construct was higher than its correlations with other constructs, and all HTMT values were below the conservative threshold of 0.90, including the relationship between satisfaction with performance appraisal system and psychological contract (HTMT = 0.877). These findings suggest that each construct is empirically distinct, with no substantial overlap in meaning between satisfaction with performance appraisal system, psychological contract, and work engagement. Taken together, the outer-model assessment provides a solid basis for interpreting the structural relationships among the three focal constructs.

3) Structural Model

Prior to testing the hypotheses, collinearity diagnostics were performed using variance inflation factor (VIF) values. All indicators associated with satisfaction with performance appraisal system, psychological contract, and work engagement showed VIF values below 10, indicating that multicollinearity is not a concern in the structural model. The model's explanatory power was assessed using the coefficient of determination (R^2). Psychological contract achieved an adjusted R^2 of 0.637, meaning that 63.7% of its variance is explained by the predictors in the model, primarily satisfaction with performance appraisal system. Work engagement reached an adjusted R^2 of 0.403, indicating that 40.3% of the variance in engagement is accounted for by its antecedents, including satisfaction with performance appraisal system and psychological contract. According to commonly used benchmarks, these values fall between moderate and substantial explanatory power for psychological contract and in the moderate range for work engagement.

Table 2
Results of hypothesis testing

Hypothesis	Path coefficient	t-statistics
SS > PC	0,799	30.351
SS>WE	0,342	3.055
PC>WE	0,287	2.701
SS>PC>WE	0,229	2.723

4) Hypothesis Testing

The hypothesis tests for the direct paths show that satisfaction with performance appraisal system exerts a strong and significant positive effect on psychological contract ($\beta = 0.799$, $t = 30.351$, $p < 0.001$). Satisfaction with performance appraisal system also has a positive and significant direct effect on work engagement ($\beta = 0.342$, $t = 3.055$, $p = 0.001$). In addition, psychological contract positively predicts work engagement ($\beta = 0.287$, $t = 2.701$, $p = 0.003$). These findings imply that when employees perceive the appraisal system as fair, transparent, and useful, they are more likely to believe that the organization fulfils its promises and obligations, which in turn enhances their energy, dedication, and absorption at work.

The mediation analysis further reveals that psychological contract partially mediates the relationship between satisfaction with performance appraisal system and work engagement. The indirect effect of satisfaction with performance appraisal system on work engagement through psychological contract is positive and significant ($\beta = 0.229$, $t = 2.723$, $p = 0.003$), while

the direct effect from satisfaction with performance appraisal system to work engagement remains significant. This pattern indicates that satisfaction with the appraisal system contributes to higher engagement in two ways. The first way is directly, by fostering positive attitudes toward work. The second way is indirectly, by strengthening the psychological contract as a key relational mechanism. In line with social exchange theory, employees who feel satisfied with the performance appraisal system perceive that the organization is investing in them, which reinforces their sense of reciprocal obligation and manifests as stronger work engagement.

B. Discussion

The findings demonstrate that employees' satisfaction with the performance appraisal system is a pivotal mechanism through which the organization can strengthen psychological contracts and foster work engagement. The strong path from appraisal satisfaction to psychological contract indicates that when the appraisal process is perceived as transparent, accurate, and fair, employees are more likely to believe that the organization honors its commitments and obligations. This is consistent with prior work showing that satisfaction with appraisal systems functions as a key signal of organizational integrity in the employment relationship (Ayoun et al., 2022; Micacchi et al., 2024).

The positive effect of appraisal satisfaction on work engagement aligns with engagement research that frames engagement as an outcome of supportive HR practices and perceived fairness ((Bakker & Demerouti, 2008; Nissinen et al., 2022; Monks et al., 2023; Wonda et al., 2024). In BPKP's context, employees who feel the appraisal system is well designed and consistently implemented appear more energized, enthusiastic, and absorbed in their work. This suggests that the appraisal process functions not only as an evaluative tool but also as a resource that clarifies expectations, provides feedback, and legitimizes employees' contributions—factors that are known to enhance engagement.

The significant path from psychological contract to work engagement provides empirical support for calls in the literature to examine engagement through the lens of psychological contract, particularly in the public sector (Chan, 2021). When employees perceive that the organization is living up to implicit promises regarding recognition, development, and fair treatment, they reciprocate with higher levels of vigor, dedication, and absorption in their roles. This is consistent with social exchange theory, which posits that individuals respond to positive treatment from the organization with positive attitudinal and behavioral outcomes such as commitment and engagement (Wan & Antonucci, 2016; Wonda et al., 2024).

The partial mediation by psychological contract suggests that satisfaction with the appraisal system influences engagement through two complementary channels. First, it exerts a direct effect: an appraisal system that is user-friendly, timely, and perceived as fair may directly enhance motivation and focus by giving employees clear performance standards and credible feedback. Second, it exerts an indirect effect: when employees interpret their positive appraisal experiences as evidence that

the organization respects and invests in them, this strengthens their psychological contract, which in turn encourages them to reciprocate with stronger engagement. This pattern reinforces the idea that appraisal systems should be viewed not only as administrative procedures but also as relational signals in the ongoing exchange between employees and the organization.

From a practical standpoint, the results highlight several priorities for the Financial and Development hSupervisory Board and similar public-sector organizations. Although overall satisfaction with the appraisal system is moderately high, indicators linked to objectivity, fairness, and the consistent use of appraisal results for rewards remain below the grand mean. Strengthening these aspects, such as ensuring that scores and narratives are delivered on time, systematically linking evaluation outcomes to both financial and non-financial recognition, and standardizing feedback practices across units, may further reinforce psychological contracts and, ultimately, work engagement. This is particularly urgent considering previous organizational health assessments that placed the organization's work engagement index in the "unhealthy" category, especially on vigor and absorption.

Finally, the study's cross-sectional design and single organization focus limit causal inference and generalizability. Future research could employ longitudinal or multi-wave designs to examine how changes in appraisal satisfaction over time reshape psychological contracts and engagement and could compare different public-sector agencies or countries to explore contextual contingencies. Nonetheless, the present results provide clear evidence that building work engagement in the public sector requires going beyond formal justice rules to actively cultivate satisfaction with appraisal systems and to protect the underlying psychological contract between employees and their organization.

5. Conclusion

This study examined how satisfaction with the performance appraisal system relates to work engagement in the Indonesian public sector, with the psychological contract as a mediating mechanism. Focusing on employees of Financial and Development Supervisory Board in Indonesia, the findings show that satisfaction with the performance appraisal system has a strong positive effect on the psychological contract and a direct positive effect on work engagement. In addition, the psychological contract itself positively predicts work engagement and partially mediates the relationship between appraisal system satisfaction and engagement. These results support the view that performance appraisal is not merely an administrative tool, but a key relational signal in the exchange between employees and the organization.

Theoretically, the study contributes to the literature by integrating satisfaction with performance appraisal systems, psychological contract, and work engagement in a single model framed by social exchange theory. It shows that employees' satisfaction with how performance is assessed and communicated strengthens their belief that the organization honors implicit promises and obligations, which in turn encourages them to invest greater energy, dedication, and

absorption in their work. In this way, the psychological contract emerges as a critical psychological pathway through which HR practices such as performance appraisal are translated into engagement outcomes in a public sector context.

Practically, the findings suggest that public sector organizations seeking to enhance work engagement should pay close attention to how performance appraisal systems are experienced by employees. Improving the clarity and transparency of criteria, ensuring perceived fairness and consistency across units, providing timely and constructive feedback, and linking appraisal results to meaningful development and recognition can increase satisfaction with the system. When employees perceive the appraisal system as credible and supportive, they are more likely to feel that the organization is keeping its side of the relationship, which strengthens the psychological contract and, ultimately, work engagement.

This study is not without limitations. The cross-sectional design restricts causal inference, and the focus on a single Indonesian public organization limits the generalizability of the findings. Future research could use longitudinal or multi-wave designs to capture how changes in appraisal satisfaction shape psychological contracts and engagement over time and could compare different public agencies or countries to explore contextual differences. Despite these limitations, the study provides clear evidence that building work engagement in the public sector requires strengthening both satisfaction with performance appraisal systems and the underlying psychological contract between employees and their organization.

References

- [1] R. Ahmad, M. R. Nawaz, M. I. Ishaq, M. M. Khan, and H. A. Ashraf, "Social exchange theory: Systematic review and future directions," *Frontiers in Psychology*, vol. 13, 2023.
- [2] B. Ayoun, K. Eyoun, H. Chen, and F. Arasli, "Mapping the relationships between hotel employees' perceptions of performance appraisal fairness, satisfaction, and psychological contract," *J. Human Resour. Hospitality Tourism*, vol. 21, no. 4, pp. 593–618, 2022.
- [3] A. B. Bakker and E. Demerouti, "Towards a model of work engagement," *Career Development Int.*, vol. 13, no. 3, pp. 209–223, 2008.
- [4] A. B. Bakker and M. P. Leiter, *Work Engagement: A Handbook of Essential Theory and Research*. New York, NY, USA: Taylor & Francis Group, 2010.
- [5] S. Chan, "The interplay between relational and transactional psychological contracts and burnout and engagement," *Asia Pacific Manage. Rev.*, vol. 26, no. 1, pp. 30–38, 2021.
- [6] J. A. Colquitt, "On the dimensionality of organizational justice: A construct validation of a measure," *J. Appl. Psychol.*, vol. 86, no. 3, pp. 386–400, 2001.
- [7] J. Cook and A. Crossman, "Satisfaction with performance appraisal systems: A study of role perceptions," *J. Managerial Psychol.*, vol. 19, no. 5, pp. 526–541, 2004.
- [8] N. Costa and C. Oliveira, "The psychological contract of higher education teachers in Portugal: Confirmatory factor analysis," *Procedia Comput. Sci.*, vol. 204, pp. 952–960, 2022.
- [9] I. M. Darmawan, I. G. Riana, I. G. A. M. Dewi, and M. S. Putra, "Determinants of work engagement in the public sector: A systematic literature review and future research agenda," *J. Educ., Society Behavioural Sci.*, vol. 37, no. 6, pp. 403–424, 2024.
- [10] R. M. Emerson, "Social exchange theory," *Annu. Rev. Sociol.*, vol. 2, pp. 335–362, 1976.
- [11] J. Greenberg, "Determinants of perceived fairness of performance evaluations," *J. Appl. Psychol.*, vol. 71, no. 2, pp. 340–342, 1986.

- [12] J. F. Hair, W. C. Black, B. J. Babin, and R. E. Anderson, *Multivariate Data Analysis*, 8th ed. Boston, MA, USA: Cengage Learning, 2019.
- [13] P. Herriot, W. E. G. Manning, and J. M. Kidd, "The content of the psychological contract," *Brit. J. Manage.*, vol. 8, pp. 151–162, 1997.
- [14] J. M. Jensen, R. A. Opland, and A. M. Ryan, "Psychological contracts and counterproductive work behaviors: Employee responses to transactional and relational breach," *J. Bus. Psychol.*, vol. 25, no. 4, pp. 555–568, 2010.
- [15] L. M. Keeping and P. E. Levy, "Performance appraisal reactions: Measurement, modeling, and method bias," *J. Appl. Psychol.*, vol. 85, no. 5, pp. 708–723, 2000.
- [16] S. E. Kim and D. Rubianty, "Perceived fairness of performance appraisals in the federal government: Does it matter?" *Rev. Public Personnel Admin.*, vol. 31, no. 4, pp. 329–348, 2011.
- [17] R. Kreitner and A. Kinicki, *Organizational Behavior*, 10th ed. New York, NY, USA: McGraw-Hill, 2013.
- [18] K. Kulikowski, "Do we all agree on how to measure work engagement? Factorial validity of Utrecht Work Engagement Scale as a standard measurement tool—A literature review," *Int. J. Occup. Med. Environ. Health*, vol. 30, no. 2, pp. 161–175, 2017.
- [19] B. Kuvaas, "Performance appraisal satisfaction and employee outcomes: Mediating and moderating roles of work motivation," *Int. J. Human Resour. Manage.*, vol. 17, no. 3, pp. 504–522, 2006.
- [20] L. Micacchi, F. Vidé, G. Giacomelli, and M. Barbieri, "Performance appraisal justice and employees' work engagement in the public sector: Making the most of performance appraisal design," *Public Admin.*, vol. 102, no. 3, pp. 815–840, 2024.
- [21] K. Monks, E. Conway, Y. Freeney, and N. McDowell, "Is ability–job fit important for work engagement? Evidence from the Irish civil service," *Public Manage. Rev.*, vol. 25, no. 10, pp. 1835–1858, 2023.
- [22] T. S. Nissinen, E. I. Maksniemi, S. Rothmann, and K. M. Lonka, "Balancing work life: Job crafting, work engagement, and workaholism in the Finnish public sector," *Frontiers in Psychology*, vol. 13, 2022.
- [23] W. Nord, "Adam Smith and contemporary social exchange theory," *Amer. J. Econ. Sociol.*, vol. 32, no. 4, pp. 421–436, 1973.
- [24] T. Obuobisa-Darko and E. Sokro, "Psychological impact of COVID-19 pandemic and turnover intention: The moderating effect of employee work engagement," *Social Sci. Humanities Open*, vol. 8, no. 1, 2023.
- [25] D. M. Rousseau, "The individual–organization relationship: The psychological contract," in *APA Handbook of Industrial and Organizational Psychology*, vol. 3, Washington, DC, USA: American Psychological Association, 2010, pp. 191–220.
- [26] I. S. Santosa, E. A. Purwanto, S. Sumaryono, and P. P. Utomo, "Understanding work engagement in public administration: A comprehensive bibliometric and systematic review of the past decade," *Social Sci. Humanities Open*, vol. 11, 2025.
- [27] W. H. Wan and T. C. Antonucci, "Social exchange theory and aging," in *Encyclopedia of Geropsychology*. Singapore: Springer, 2016, pp. 1–9.
- [28] T. A. Wonda, A. E. Engidaw, J. Ning, M. A. Kead, and N. A. Belay, "Does psychological contract fulfilment determine employees' work engagement? Empirical evidence from government sector employees," *Cogent Bus. Manage.*, vol. 11, no. 1, 2024.