

## **Employee Performance: Effects of Competence and Compensation (Study At One of The Local Government Agencies in Bandung Regency)**

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### **ABSTRACT**

*The purpose of this research is to determine and analyze employee competency, employee compensation, employee performance, the extent of the influence of competency on employee performance, the extent of the influence of compensation on employee performance, and the extent of the influence of competency and compensation on employee performance in one of the local government agencies in Bandung Regency. The research method used by the author is descriptive and verification research to identify the significant relationship between the variables under investigation, thus producing conclusions that will describe the object being studied. The research results show that competency has a total influence on employee performance of 7.2%, while compensation has a total influence on employee performance of 70%. The total influence of the independent variables on the dependent variable is 77.2%, while the remaining 22.8% is influenced by other variables outside the scope of this study. The implications of the research indicate that having good competency combined with adequate compensation can enhance employee performance.*

*Keywords: competency, compensation, employee performance.*

## INTRODUCTION

Civil servants, as part of the state apparatus, play a crucial role in implementing regional autonomy policies and achieving national development goals. To provide effective public services, it is essential for civil servants to possess high-quality skills and competencies. However, in a government agency in Bandung Regency, there are instances where some employees fail to meet competency standards, resulting in complaints from the public regarding delays in document processing and other issues. To optimize employee performance, it is crucial for government agencies to have competent and adequately compensated employees. The agency in question is expected to deliver efficient public services, including timely task completion, clear information dissemination, and prompt and satisfactory service responses. Achieving these objectives requires employees who meet competency standards. It is important to assess the influence of competency and compensation on employee performance to identify factors that contribute to suboptimal performance. By understanding these factors, appropriate measures can be taken to improve employee performance and enhance public service delivery.

Based on the employee performance reports, various factors can be identified that contribute to

suboptimal performance, such as competency and compensation. Based on the previously outlined empirical data, the research questions in this study are to what extent do competency and compensation influence employee performance, and what is the magnitude of the influence of competency and compensation on employee performance.

## METHOD

The research method to be used in this study is a survey method that utilizes a questionnaire as a data collection tool. The survey results will be quantitatively described, followed by an explanation of the existing conditions. This quantitative descriptive research aims to explain and summarize various conditions, situations, or variables that arise in the studied community based on observed occurrences.

The research will focus on a government agency in Bandung Regency. In this study, all 32 employees in the agency will be included as the population, and a saturated sampling technique will be employed.

The variables to be used in this study are Competency, which refers to the knowledge, skills, and attitudes possessed by individuals; Compensation, which encompasses all direct or

indirect rewards received by employees, including material and non-material forms, as a remuneration for their contributions, work, and dedication to the organization; and Performance, which is the action taken by individuals or groups to carry out activities and fulfill responsibilities according to their skills, aiming for expected outcomes.

Validity testing will be conducted to ensure the accuracy and depth of the research object. Reliability testing will assess the extent to which using the same objects will yield consistent data. The verificative method will be employed to investigate the relationship between two or more variables or test a hypothesis's validity. The researcher will follow several steps to obtain research results, including coefficient and path analysis. The coefficient analysis extends the use of multiple linear regression to estimate the relationships between predetermined variables. Path analysis, or structural equation modeling, utilizes regression analysis to examine the relationships among variables.

## RESULTS dan DISCUSSION

The validity and reliability testing results indicate that all respondents completed the survey without any omissions or blank responses, resulting in a 100% validity rate for all variables. The Compensation variable (X1) obtained the highest average score of 3.039583 out of 15 statement

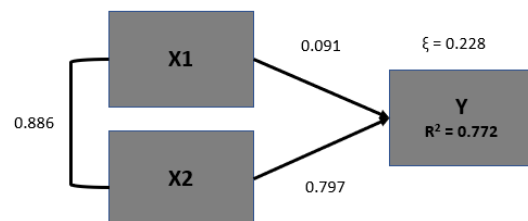
items, followed by the Competency variable (X2), with a score of 2.94375, and the Employee Performance variable (Y) with a score of 2.9396. Similarly, all variables achieved a Cronbach's alpha value greater than 0.7, indicating good reliability.

To examine the relationships between variables, we calculated the Pearson correlation coefficients. As a result, the Competency variable (X1) demonstrated a strong correlation with the Compensation variable (X2) with a correlation coefficient of 0.886. This result indicates a significant positive relationship between these variables.

We conducted a multiple linear regression analysis to determine the extent of influence of each independent variable on the dependent variable. The results of the regression analysis show the following equation:

$$Y = 0,091X1 + 0,797X2 + \text{Error}$$

And can be figure as:



**Figure 1. The Result of Calculation of Path Analysis**

The values of the coefficients a, b1, and b2 will determine through the regression analysis. Additionally, we will calculate the path analysis equation to assess the relationships between

variables and provide a comprehensive understanding of the influence of Competency and Compensation on Employee Performance.

Competency (X1) has a direct influence of 0.8% on Employee Performance (Y), and it also exerts an indirect influence through Compensation (X2) with a magnitude of 6.4%. Overall, X1 influences Y by a total of 7.2%. Compensation (X2) directly impacts Employee Performance (Y) with a significance of 63.5%, and it also indirectly affects Y through Competency (X1) by 6.4%. In total, X2 accounts for 70% of the influence on Y. The combined effect of Competency (X1) and Compensation (X2) on Employee Performance (Y) is 77.2%. Variables external to the study contribute to 22.8% of the proportional influence.

Based on the respondents' answers regarding competency, the average score obtained is 2.95833, indicating a moderately good level. The highest-rated statement item is "I have the skills required for the job," with a score of 104, followed by "The provided training aligns with the knowledge needed," with a score of 99, and "I prioritize the organization's goals over personal matters" with a score of 98. However, some statement items received lower ratings, such as "I am a loyal person," with the lowest score of 86, "I am capable of adapting," with a score of 87, and "The knowledge I possess aligns with my job" with a score of 87.

Regarding compensation, the respondents' average score is 3.039583, indicating a moderately good level. The highest-rated statement item is "I am satisfied with the received allowances," with a score of 109, followed by "I receive a salary that matches the job," with a score of 104, and "I am motivated to earn a high salary" with a score of 103. However, some statement items received lower ratings, such as "I am satisfied with the received salary" with the lowest score of 89, "I am satisfied when receiving bonuses" with a score of 92, and "I receive supervision in the allowance distribution" with a score of 93.

Regarding employee performance, the respondents' average score is 2.9396, indicating a relatively low level. For example, the lowest-rated statement item is "I always prioritize customer satisfaction in public services," with a score of 86, followed by "I always take responsibility for completing assigned tasks," with a score of 89, and "I want to stay in my current workplace" with a score of 89. However, some statement items received moderately good ratings, such as "If given a choice, I prefer to work collaboratively in completing tasks," with the highest score of 102, "I always arrive on time" with a score of 100, and "The required operational costs are always fulfilled" with a score of 99.

The research findings indicate that competency (X1) has a direct influence on employee performance (Y) of 0.8% and an

indirect influence through compensation (X2) of 6.4%. In total, X1 has a 7.2% impact on Y. This means that the competency factor can strongly influence employee performance (Y) when combined and associated with the compensation factor (X2).

The calculation results show that X1 does not have a significant direct impact on Y. However, there is a slight influence through the X2 variable. Therefore, in this study, the relationship between X1 and X2 variables shows a strong correlation.

Compensation (X2) has a direct influence on employee performance (Y) of 63.5% and an indirect influence through competency (X1) of 6.4%. In total, X2 influences Y by 70%. This result indicates that the compensation factor significantly impacts employee performance (Y). Furthermore, it suggests that X2 significantly affects Y. Furthermore, the relationship between X2 and X1 variables in this study shows a strong correlation.

Competency (X1) and compensation (X2) simultaneously influence employee performance (Y) by 77.2%. The influence caused by variables outside the study accounts for 22.8%. This finding demonstrates that both independent variables significantly influence the dependent variable, Y. Compensation (X2) contributes more significantly than the competency variable (X1).

Competency represents an employee's capacity regarding job attributes, including abilities, skills, maturity, experience,

effectiveness, efficiency, and success in fulfilling job responsibilities. Compensation refers to the reward given for using labor or services employees provide. According to Diamantidis & Chatzoglou, (2019) competent employees with solid knowledge and skills can complete their tasks and meet new challenges in their job demands. Therefore, providing appropriate compensation based on employee performance also helps shape high-quality employees. (Ohunakin & Olugbade, 2022)

Competency refers to an individual's knowledge, skills, and attitudes. (Diamantidis & Chatzoglou, 2019) Performance is the willingness of an individual or a group of people to perform an activity and improve it according to their responsibilities, resulting in expected outcomes. (Korzynski et al., 2021; Prodanova & Kocarev, 2021; Swanson et al., 2020) Competency is the underlying characteristic of an individual that produces practical work and excellent performance. It means that competency is a characteristic that employees must possess to achieve optimal performance in their field. Compensation is the overall arrangement of rewards given to employees and managers, including financial and non-financial rewards received by each individual—performance results from work and work behavior achieved in completing tasks and responsibilities within a specific period.

According to the research by Nikolova & Cnossen (2020), the influence of compensation on performance indicates that compensation is a reward for using labor or services provided by employees. Therefore, it means that the amount of compensation can significantly affect employee behavior, affecting performance. Competency represents the skills or knowledge characterized by professionalism in a specific field as the main strength. (Nguyen et al., 2022) Compensation encompasses everything employees receive, whether directly or indirectly, including material or non-material income as remuneration for their contribution, work, and dedication to the company or organization. (Barba-Aragón & Jiménez-Jiménez, 2020)

Employee performance refers to the actions of an individual or a group in performing an activity and improving it according to their skills, responsibilities, and expected outcomes. In the study conducted by Hadian et al., (2015) and Pradhan & Jena (2017), performance is seen as an achievement desired by every organization, whether government or private. The success of an organization depends heavily on the human element that performs the work, necessitating appropriate rewards for employees based on their nature, circumstances, and competency. (Ibrahim et al., 2017; Syaifuddin & Sidharta, 2017) Competence is generally defined as expertise, skills, or abilities. (Foster & Sidharta, 2019; Ibrahim et al., 2017) The underlying meaning of

the word "competent" itself implies capable or skilled. (Cabral & Lochan Dhar, 2019) Practical training is required to achieve this, and competence includes the employee's knowledge, skills, attitudes, and behaviors. (Caron et al., 2019; Sas et al., 2021)

This finding shows that competency determines employee compensation based on job performance, resulting in work motivation and optimal employee performance to achieve organizational goals.

## CONCLUSION

Based on the research findings, competency, and compensation significantly impact employee performance. The study demonstrates that competency (X1) directly influences performance (Y) by 0.8% and indirectly through compensation (X2) by 6.4%. Similarly, compensation directly influences performance by 63.5% and indirectly through competency by 6.4%. Competency and compensation account for 77.2% of the influence on employee performance. Furthermore, the study establishes a strong correlation between the competency and compensation variables, significantly contributing to employee performance. Notably, compensation has a more substantial impact compared to competency. These findings emphasize the importance of considering both competency and compensation in enhancing employee performance.

Based on the research findings, organizations should prioritize the development and improvement of employee competencies by providing training programs, workshops, and resources that enhance knowledge, skills, and attitudes. This approach will empower employees to effectively fulfill their job responsibilities and meet the challenges associated with their roles. Employers should establish fair and competitive compensation practices that align with employee performance. This approach includes designing salary structures, implementing performance-based incentives, and providing rewards that motivate employees to achieve higher performance. Organizations should firmly integrate competency and compensation systems. This step can be achieved by aligning performance evaluation criteria with competency frameworks and using them to determine compensation levels. Rewarding employees based on their competencies and performance will cultivate a positive work environment and foster continuous improvement. Implementing regular performance evaluations provides opportunities for employees to receive feedback on their competencies and performance. It also aids in identifying areas for improvement and recognizing exceptional performance. Performance evaluations should encompass both competency development and compensation decisions.

Further research should be conducted to explore the competencies and compensation practices that significantly impact employee performance in different industries and contexts. This step will enable organizations to tailor their strategies to optimize employee performance and achieve organizational goals.

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