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Competence And Performance Allowances As Determinants Of Public Sector Employee Performance: A Study At The Aceh Human Resources Development Agency

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Abstract

Indonesian bureaucratic reform relies on two main instruments to improve civil servant performance: competency development and performance allowances, but empirical evidence regarding their effectiveness remains divided. This study examines the influence of competency and performance allowances on employee performance at the Aceh Human Resources Development Agency (BPSDM), while also determining which predictor is more dominant. A quantitative explanatory approach with a cross-sectional design was used on 69 respondents drawn by simple random sampling from a population of 219 employees using the Slovin formula at a tolerance of 10%. Data were collected through a five-point Likert scale questionnaire containing twelve items and analyzed by multiple linear regression using SPSS 25. All items were valid with correlation coefficients ranging from 0.606 to 0.840 above the critical value of 0.235, and all variables were reliable with Cronbach's alpha ranging from 0.655 to 0.801. The results showed that competency had a positive and significant effect with a calculated t-value of 2.538 and a significance of 0.014, as did performance allowances with a calculated t-value of 3.059 and a significance of 0.003. Simultaneously, both had a significant effect with an F count of 19.474 exceeding the F table of 3.14 and explaining 37.1% of the variation in employee performance. Based on the standardized coefficient, performance allowances were the dominant predictor with a beta of 0.372 compared to competency of 0.309, a finding that contradicted the unstandardized coefficient reading and had direct implications for setting agency budget priorities.

Keywords: Competence; Performance Allowance; Employee Performance; Multiple Linear Regression; State Civil Servants

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INTRODUCTION

Indonesian bureaucratic reform over the past two decades has rested on a simple premise: improving the quality of civil servants will improve service quality. This premise is not wrong, but the empirical evidence is far more mixed than policy documents suggest. A study of the Government Agency Performance Accountability System across the entire local government population found that improvements were slow and formalistic, with cultural-cognitive factors and political commitment contributing to the results (Salomo & Rahmayanti, 2023). Analysis at the Central Bureau of Statistics even found a positive but weak correlation between bureaucratic reform implementation and performance outcomes, with much of the variation in performance explained by factors outside the reform program itself (Lumenta et al., 2023). Structural simplification through delayering has not yet fully translated into substantive governance changes (Maulana et al., 2022). Even when reforms succeed in improving service procedures and official accountability—as explored in a socio-legal study on corruption prevention in Indonesia (Yustia & Arifin, 2023)—the improvements do not automatically trickle down to employees' daily work behavior. Reform, in other words, touches institutional architecture more quickly than it touches individual work behavior.

This is where the two most frequently relied upon policy instruments converge: competency development and performance allowances. The current Law on the State Civil Apparatus places Civil Servants and Government Employees with Employment Contracts under the same umbrella of ASN Employees, while also affirming performance management as an agency obligation (Law Number 20 of 2023). The Government Regulation on Civil Servant Performance Assessment subsequently stipulates that civil servant performance assessments are based on two elements: Employee Performance Targets and work behavior (Government Regulation Number 30 of 2019). The implementing regulations reinforce the policy's logical chain by making performance evaluation documents the basis for performance allowance payments (Ministerial Regulation of Administrative and Bureaucratic Reform Number 6 of 2022). Normatively, the chain is neat: competency produces performance, performance is measured, and that measurement is paid. In practice, it is far more complex. A scenario planning study of the dynamic performance allowance policy for local government health workers in Bandung found that the prevailing remuneration model inadequately reflects variations in workload and job risks (Sugandi et al., 2025). The issue is not whether there is a scheme, but rather how clearly it maps contributions into numbers.

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The problem is that the international literature does not provide as strong support as this chain would suggest. A systematic review of four decades of performance-related pay implementation in the public sector notes its continued widespread adoption despite theoretical objections from public administration scholars (Ahmad et al., 2024). A meta-analysis of public administration studies found statistically significant but small, and interestingly weaker, effects on performance outcomes than on employee attitudinal outcomes such as motivation and job satisfaction (George & van der Wal, 2023). Conversely, a meta-analysis across 108 independent samples found a positive relationship between performance-based pay and task performance, with intrinsic motivation and perceptions of distributive justice as mediating pathways (Chen et al., 2023). The most challenging finding comes from the Maldivian civil service: financial rewards negatively affected employee performance, although the detrimental effect was partially mitigated by organizational commitment (Sudha et al., 2024). Similar patterns emerged in the Saudi Arabian industrial sector, where the direct effect of incentives on performance was insignificant and only became meaningful when mediated by job satisfaction (Alkandi et al., 2023), and in Indian healthcare workers, where contingent rewards worked through job engagement, not directly (Layek & Koodamara, 2024).

The debate even touches on the more fundamental question of what truly drives civil servants. A study of 220 frontline service workers in Hong Kong found public service motivation to be an intrinsic driver with a stronger influence on job satisfaction than performance-contingent pay (Tu et al., 2023). If this is true, increased benefits may not be the most efficient lever.

The developing country context adds another layer of complexity. A multilevel analysis of 19,300 bureaucrats across ten countries showed that the link between performance-based rewards and job satisfaction strengthens as GDP per capita increases, so proven management practices in OECD countries may not transfer smoothly to low-income governments (Cantarelli et al., 2025). Conversely, a study of Somali local governments found that material incentives are strongly associated with workforce performance, even more so than moral incentives for short-term outcomes (Abdukadir & Osman, 2026). This debate is not yet settled, and precisely because it is unsettled, it needs to be reexamined in specific institutional settings.

The evidence on competency is equally inconsistent. Several studies confirm its direct influence: staff competency was shown to be a positive determinant of public procurement staff performance in Tanzania (Mwagike, 2025), while knowledge, skills, traits, and motives were significantly related to the performance of university counselors

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in China (Cao et al., 2024). A study of university lecturers found competency to operate both directly and through work engagement (Yan & Yuan-Cheng, 2023). However, research at the West Sumatra Central Bureau of Statistics, with 269 respondents recruited using the Slovin formula, found competency to have a positive but insignificant effect on performance, only becoming significant after exceeding job satisfaction (Afuan et al., 2024). In Central Lampung, competency significantly influenced agricultural extension workers' performance with a significance value of 0.005, but the model's coefficient of determination was only 0.084 (Zulkarnain et al., 2023). These two Indonesian findings suggest the same point from different angles: competency rarely works alone.

The Aceh Human Resources Development Agency (BPSDM) is an unusual setting for testing both. This agency is tasked with developing the competency of regional civil servants—it is a producer of competency, not simply a consumer. When employee performance in such an agency is suboptimal, the issue touches on the credibility of the function it carries out. Initial observations at the research site revealed delays in work completion and relatively long administrative service processes, despite the performance allowance scheme being in place. The composition of the workforce is also shifting: nearly half of respondents are PPPK (Permanent Personnel Reform), a direct consequence of the statutory restructuring of non-ASN personnel. Studies across permanent and temporary organizations show that the degree of permanence of employment relationships can alter the direction of the influence of satisfaction and commitment on individual performance (Goetz & Wald, 2022). Such compositional changes necessitate reexamining long-held assumptions about civil servant work behavior.

The research gap to be filled is therefore twofold. First, the inconsistency of results across the two variables has not been tested simultaneously in provincial-level civil servant human resource development agencies, which are functionally distinct from the technical and direct service agencies that dominate the Indonesian literature (Ferine et al., 2021; Ingsih et al., 2024; Sitorus et al., 2025). Second, most Indonesian studies stop at verifying significance without methodologically sound comparisons of the relative strengths of predictors—an omission that has direct consequences for policy recommendations, as agency leaders face limited budgets and must choose between funding training or increasing allowances.

This study aims to examine the influence of competence and performance allowances on the performance of BPSDM Aceh employees, both partially and

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simultaneously, while also determining which predictor is more dominant based on standardized coefficients. Three hypotheses are proposed. H_1: competence has a positive and significant effect on employee performance. H_2: performance allowance has a positive and significant effect on employee performance. H_3: competence and performance allowance simultaneously have a positive and significant effect on employee performance. The conceptual framework connecting the three is presented in Figure 1.

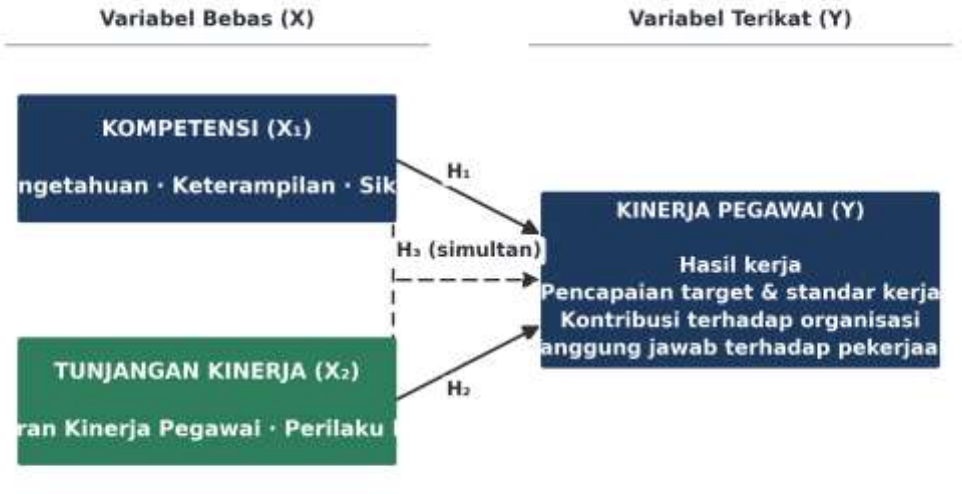


Figure 1: Conceptual Framework of the Research
Source: author's processed results (2026)

RESEARCH METHODS

Research Design and Location

This study employed a quantitative explanatory approach with a cross-sectional design. This approach was chosen because it aimed to test pre-formulated cause-and-effect relationships in the form of hypotheses, rather than building theory from field data. The research location was the Aceh Human Resources Development Agency (BPSDM), a regional government agency responsible for education, training, and competency development for local government officials in Aceh Province. Data collection took place in 2026.

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Population, Sample, and Sampling Techniques

The study population included all 219 BPSDM Aceh employees. The sample size was determined using the Slovin formula at a 10% error tolerance limit, resulting in 68.65 respondents rounded up to 69. Sampling was conducted using a probability sampling method using a simple random sampling technique, so that each member of the population has an equal chance of being selected regardless of strata (Sugiyono, 2019). The 10% tolerance is indeed looser than 5%, but is consistent with common practice in studies of single organizations in Indonesia; research at the West Sumatra Central Statistics Agency (Afuan et al., 2024) and at state universities with legal entities in Sumatra (Radhi et al., 2025) followed the same sampling procedure.

Instruments and Operationalization of Variables

Primary data were collected through a closed-ended questionnaire containing twelve statements measured on a five-point Likert scale, ranging from 1 for strongly disagree to 5 for strongly agree. Employee performance, as the dependent variable, was measured using four items (A1–A4) representing work results, achievement of work targets and standards, contribution to the organization, and responsibility for work. Competence, as the first independent variable, was measured using three items (B1–B3) representing the dimensions of knowledge, skills, and attitudes. This three-dimensional structure is the most established configuration in the work competency literature and has been shown to be related to performance across various organizational settings (Cao et al., 2024; Irfan et al., 2023; Krpálek et al., 2021).

Performance allowances, as the second independent variable, are measured using five items (C1–C5) derived directly from the applicable regulatory framework. Civil servant performance assessment regulations define two elements: Employee Performance Targets, which encompass quantity, quality, time, and cost, and work behavior, which encompasses service orientation, commitment, initiative, cooperation, and leadership (Government Regulation Number 30 of 2019). The first three items represent the SKP elements, and the last two represent work behavior elements. The reliance on regulations, rather than on imported scales, was chosen because performance evaluation documents legally form the basis for performance allowance payments in Indonesian government agencies (Ministerial Regulation of Administrative and Bureaucratic Reform Number 6 of 2022). Details of the operationalization of the three variables are presented in Table 1.

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Table 1: Operationalization of Research Variables

Variables	Operational Definition	Indicator	Item	Scale
Employee Performance (Y)	The work results achieved by employees compared to the work standards set by the organization	Work results; achievement of work targets and standards; contribution to the organization; responsibility for work	A1–A4	Likert 1–5
Competence (X_1)	Individual work capabilities that include knowledge, skills and work attitudes according to standards	Knowledge; skills; attitudes	B1–B3	Likert 1–5
Performance Allowance (X_2)	Financial appreciation given to employees for the performance achievements they produce	Employee Performance Goals: quantity, quality, time; Work behavior: commitment and initiative, service orientation	C1–C5	Likert 1–5

Source: compiled by the author from Government Regulation Number 30 of 2019 and (Cao et al., 2024; Irfan et al., 2023; Krpálek et al., 2021)

Instrument Testing

Item validity was tested using Pearson product-moment correlation. An item was declared valid if its correlation coefficient exceeded the critical value at the 5% significance level for N = 69, which was 0.235. Reliability was tested using Cronbach's alpha coefficient, with a minimum threshold of 0.60, as commonly used in social research in Indonesia (Ghozali, 2016). All processing was carried out using SPSS version 25 software.

Data Analysis Techniques

The analysis was conducted in stages. The first stage presented descriptive statistics in the form of frequency distribution and mean responses for each item. The second stage tested the classical assumptions that are prerequisites for ordinary least

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squares regression. Residual normality was examined using a normal probability plot, with the criterion of point distribution following the direction of the diagonal line. Multicollinearity was examined using tolerance values and variance inflation factors, with the criterion of being free from multicollinearity if the tolerance exceeds 0.10 and the VIF is below 10. Heteroscedasticity was examined using the distribution pattern on the scatterplot between the standardized predicted values and the studentized residuals, with the criterion of being free from heteroscedasticity if the points spread randomly above and below zero without forming a specific pattern (Ghozali, 2016).

The third stage estimates a multiple linear regression model with the equation $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$, where Y is employee performance, X_1 competency, X_2 performance allowance, α constant, and e error. Partial hypothesis testing uses a t-test with the criterion of rejecting the null hypothesis if the calculated t exceeds the t-table of 1.997 at 66 degrees of freedom and the significance value is below 0.05. Simultaneous testing uses an F-test with an F-table value of 3.14 at a 95% confidence level. The strength of the relationship is read through the multiple correlation coefficient, while the model's apparent power is read through the coefficient of determination.

One analytical decision needs to be emphasized from the outset. The determination of the dominant predictor in this study was based on the standardized coefficient (beta), not the unstandardized coefficient (B). The reason is both technical and substantive: the two independent variables are measured with different numbers of items—three items for competency and five items for performance allowance—so the range of their composite scores is not equivalent. Comparing B directly under such conditions would mean comparing quantities with different units. This practice is still common in Indonesian-language employee performance literature and has the potential to produce misguided policy recommendations.

RESULTS AND DISCUSSION

Respondent Characteristics

Sixty-nine respondents returned the questionnaire in full. Their profiles are presented in Table 2 and contain one anomaly worth noting from the outset.

Table 2: Respondent Characteristics (n = 69)

Characteristics	Category	Frequency	Percentage (%)
Gender	Man	49	71.0

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Characteristics	Category	Frequency	Percentage (%)
	Woman	20	29.0
Age	25–35 years	11	15.9
	36–45 years	18	26.1
	46–55 years	35	50.7
	56–65 years	5	7.2
last education	Elementary School	1	1.4
	SENIOR HIGH SCHOOL	18	26.1
	D3	5	7.2
	S1	23	33.3
	S2	22	31.9
Employment status	civil servant	34	49.3
	PPPK	35	50.7
Years of service	Less than 1 year	36	52.2
	10–20 years	15	21.7
	21–30 years	13	18.8
	31–40 years	4	5.8
	41–45 years	1	1.5

Source: processed primary data (2026)

The majority of respondents were male, 49 (71.0%), while 20 (29.0%) were female. In terms of education, the composition is relatively high for a regional agency: 23 respondents had a bachelor's degree (33.3%) and 22 had a master's degree (31.9%), making nearly two-thirds of respondents university graduates. This figure is consistent with the institutional mandate of BPSDM as a provider of civil servant competency development; it is difficult to imagine a training institution without an adequate formal educational base.

The age structure shows a dominance of the 46–55 age group with 35 people (50.7%), followed by the 36–45 age group with 18 people (26.1%). The composition of employee status is almost balanced, with PPPK slightly more at 35 people (50.7%) compared to PNS 34 people (49.3%). This is precisely where the anomaly appears: although half of the respondents are in the senior age range, as many as 36 people, or 52.2%, have worked for less than one year. The combination of mature age with very

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short work experience can only be explained by one thing: the wave of PPPK appointments that shifted experienced non-ASN workers to formal employee status, as mandated by the arrangement of non-ASN workers in the applicable civil service law (Law Number 20 of 2023).

These structural findings are important for further interpretation of the results. Employees with short tenures in the same organization are not necessarily inexperienced; most of them have likely worked in the same environment for a long time under different statuses. Studies across permanent and temporary organizations show that the degree of permanence of the employment relationship can alter how satisfaction and commitment translate into individual performance (Goetz & Wald, 2022), so this type of status transition is not simply an administrative change.

Respondent Response Description

The mean responses for the three variables were in the high range, as presented in Table 3.

Table 3: Descriptive Statistics of Respondents' Responses per Item

Code	Statement Items	Average	Category
A1	The results of the work completed meet the established standards and quality.	4.45	Very high
A2	The organization's work targets can be achieved in accordance with applicable provisions.	4.49	Very high
A3	Execution of tasks makes a positive contribution to organizational goals	4.45	Very high
A4	Every task is completed with full responsibility and sincerity	4.55	Very high
	Average Employee Performance (Y)	4.49	
B1	Understand the theories, procedures, and concepts that underlie the implementation of tasks according to standards	4.54	Very high
B2	Able to use tools and work methods to complete work effectively and efficiently	4.46	Very high
B3	Demonstrate discipline, responsibility, work motivation, and compliance with rules	4.58	Very high

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Code	Statement Items	Average	Category
	Average Competency (X_1)	4.53	
C1	Performance allowances are based on the achievement of work targets according to the output in the SKP	4.58	Very high
C2	Performance allowances take into account the quality of work results in accordance with applicable regulations.	4.62	Very high
C3	Performance allowance is given based on the timeliness of task completion	4.41	Very high
C4	Performance allowances take into account work behaviors such as commitment, initiative, and cooperation.	4.43	Very high
C5	Performance allowance is based on the ability to provide responsive and friendly service.	4.51	Very high
	Average Performance Allowance (X_2)	4.51	

Source: processed primary data (2026). Categories refer to the range of a five-point Likert scale.

The employee performance variable obtained an overall average of 4.49. The highest item was responsibility and sincerity in completing tasks with an average of 4.55, while the lowest item was fulfillment of standards and quality of work results and contribution to organizational goals, both 4.45. The competency variable obtained an average of 4.53, with the attitude item — discipline, responsibility, motivation, and compliance with rules — occupying the highest position at 4.58, while the skill item using work tools and methods was in the lowest position at 4.46. The performance allowance variable obtained an average of 4.51, with the highest item being the consideration of work quality results at 4.62 and the lowest item being the timeliness of task completion at 4.41.

The internal patterns of these three variables speak volumes beyond their averages. For the competency variable, the attitude dimension outperforms the technical skills dimension. For the performance allowance variable, the quality dimension outperforms the time dimension. These two gaps point in the same direction: employees

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rate themselves as strong in commitment and quality orientation, but relatively weak in mastery of work tools and deadline discipline. This gap between attitude and operational skills was also recorded in a study of civil servants in Central Java, where digital competence was a key determinant of service quality before impacting performance (Ingsih et al., 2024).

It should be noted that all means were above 4.4 on the five-point scale. This concentration of responses at the upper end of the scale is common in self-report data in bureaucratic environments and suggests the possibility of social desirability bias. The consequences of this are discussed in the limitations section.

Testing the Validity and Reliability of Instruments

The results of the instrument testing are presented in Table 4. All twelve items have correlation coefficients above the critical value of 0.235, with a range of 0.606 to 0.840. The items with the highest discrimination power are B3 in the attitude dimension (0.840) and A3 in the organizational contribution dimension (0.818), while the lowest item is A1 (0.606) which remains well above the threshold.

Table 4: Results of Instrument Validity and Reliability Tests

Variables	Item	Correlation Coefficient	Critical Value 5%	Information	Cronbach's Alpha
Employee Performance (Y)	A1	0.606	0.235	Valid	0.709 (reliable)
	A2	0.744	0.235	Valid	
	A3	0.818	0.235	Valid	
	A4	0.755	0.235	Valid	
Competence (X_1)	B1	0.647	0.235	Valid	0.655 (reliable)
	B2	0.822	0.235	Valid	
	B3	0.840	0.235	Valid	
Performance Allowance (X_2)	C1	0.711	0.235	Valid	0.801 (reliable)
	C2	0.808	0.235	Valid	
	C3	0.722	0.235	Valid	

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Variables	Item	Correlation Coefficient	Critical Value 5%	Information	Cronbach's Alpha
	C4	0.780	0.235	Valid	
	C5	0.718	0.235	Valid	

Source: Primary data processed with SPSS 25 (2026). Cronbach's alpha reliability threshold is 0.60 (Ghozali, 2016).

The Cronbach's alpha coefficients for all three variables exceeded the 0.60 threshold: performance allowance 0.801, employee performance 0.709, and competency 0.655. The competency alpha value is the lowest and should be read with caution. While the three-item scale mathematically produces a lower alpha than the five-item scale at the same level of inter-item correlation, 0.655 is still acceptable as reliable according to applicable criteria (Ghozali, 2016), it also indicates that the competency construct is measured more roughly than the other two constructs. The implications for the magnitude of the regression coefficients are discussed later.

Classical Assumption Testing

Normality testing was performed using a normal probability plot of the standardized residuals of the regression model. The results are presented in Figure 2. The data points are spread around the diagonal line and follow its direction, although some horizontal clusters are visible in the upper middle part of the distribution, reflecting the twin values on the composite score—a natural consequence of aggregating Likert items with a limited number of items. The model therefore meets the assumption of residual normality.

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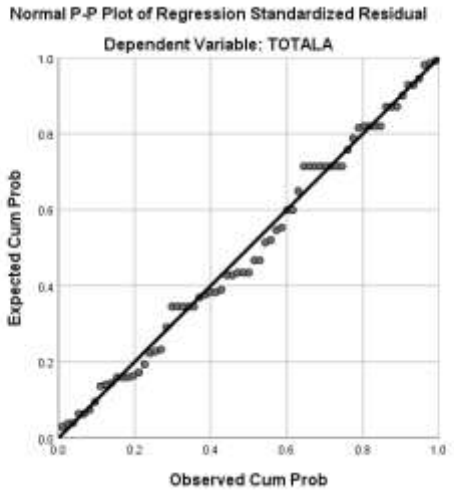


Figure 2: Normal PP Plot of Standardized Residuals of Regression
Source: processed by the author using SPSS 25 (2026)

The multicollinearity test yielded a tolerance value of 0.644 and a VIF of 1.554 for both independent variables, as presented in Table 5. Both values are well within safe limits, indicating no excessive correlation between predictors. The VIF value of 1.554 implies a moderate correlation between competence and performance allowances, which is theoretically reasonable because the amount of allowances in a performance-based system is indeed partly determined by the quality of task execution.

Table 5: Multicollinearity Test Results

Independent Variable	Tolerance	VIF	Information
Competence (X_1)	0.644	1,554	Free from multicollinearity
Performance Allowance (X_2)	0.644	1,554	Free from multicollinearity

Source: primary data processed with SPSS 25 (2026). Criteria: tolerance > 0.10 and VIF < 10.

The heteroscedasticity test using a scatterplot is presented in Figure 3. The residual points are randomly distributed above and below the zero axis without forming

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a funnel, curve, or systematic clustering pattern. The homoscedasticity assumption is thus met, and ordinary least squares estimation is appropriate.

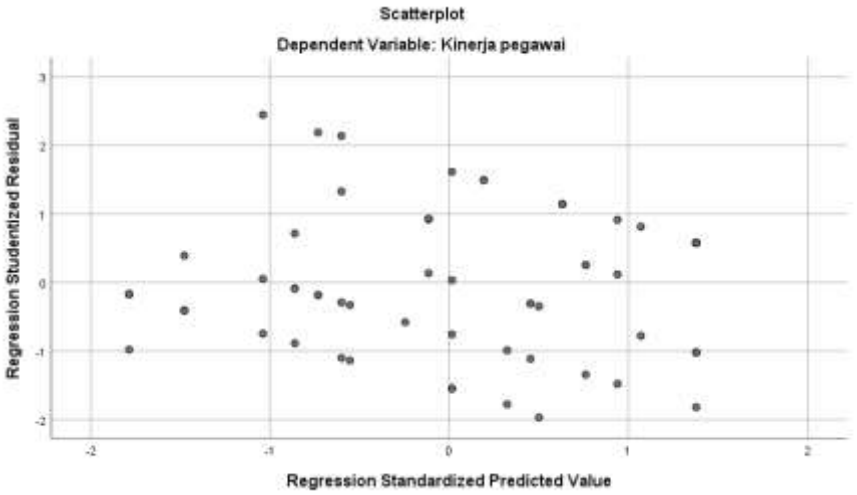


Figure 3: Scatterplot of Studentized Residuals against Predicted Values
Source: processed by the author using SPSS 25 (2026)

Results of Multiple Linear Regression Analysis

The regression model estimates are presented in Table 6, containing unstandardized coefficients, standard errors, standardized coefficients, and t-test results for each predictor.

Table 6: Results of Multiple Linear Regression Analysis and t-Test

Model	B	Std. Error	Beta	t count	t table	Sig.	Decision
(Constant)	5,444	2,015	–	2,702	1,997	0.009	Significant
Competence (X_1)	0.425	0.167	0.309	2,538	1,997	0.014	H_1 accepted
Performance Allowance (X_2)	0.298	0.098	0.372	3,059	1,997	0.003	H_2 is accepted

Source: primary data processed with SPSS 25 (2026). Dependent variable: Employee Performance (Y). Equation: $Y = 5.444 + 0.425X_1 + 0.298X_2 + e$.

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The regression equation obtained is Y = 5.444 + 0.425X_1 + 0.298X_2 + e. The constant of 5.444 means that when the competency score and performance allowance are both zero, the employee performance score is predicted to be at 5.444. This value is purely mathematical and has no substantive interpretation, because a score of zero is impossible on a Likert scale with a minimum of one.

A competency coefficient of 0.425 means that every one-unit increase in the competency composite score is followed by a 0.425-unit increase in the employee's performance score, assuming constant performance allowances. A performance allowance coefficient of 0.298 means that every one-unit increase in the performance allowance composite score is followed by a 0.298-unit increase in the employee's performance score, assuming constant competency. It should be emphasized that both figures are changes in scores, not percentages; interpreting the regression coefficient as a percentage change is a fairly common error and results in statements that cannot be statistically justified.

The partial t-test shows that competency obtained a t-count of 2.538 with a significance of 0.014, while performance allowance obtained a t-count of 3.059 with a significance of 0.003. Both exceed the t-table of 1.997 and are below the 0.05 level. The null hypotheses for H_1 and H_2 are therefore rejected. The constant itself is significant at 0.009, which confirms that the model has an intercept different from zero.

Simultaneous Test and Model Apparent Power

The results of the F test and coefficient of determination are presented in Table 7. The calculated F value of 19.474 with a significance of 0.000 far exceeds the F table of 3.14 at degrees of freedom of 2 and 66. The null hypothesis for H_3 is thus rejected: competence and performance allowances together have a significant effect on employee performance.

Table 7: Results of Simultaneous F-Test and Coefficient of Determination

Source of Variation	Sum of Squares	df	Mean Square	F count	F table	Sig.
Regression	63,746	2	31,873	19,474	3.14	0,000
Residual	108,022	66	1,637	–	–	–
Total	171,768	68	–	–	–	–

Source: primary data processed with SPSS 25 (2026). R = 0.609; R^2 = 0.371; Adjusted R^2 = 0.352; Std. Error of the Estimate = 1.279.

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The multiple correlation coefficient of 0.609 indicates a relatively strong relationship between the two predictors and the dependent variable. The coefficient of determination of 0.371 means the model explains 37.1% of the variation in employee performance, while the remaining 62.9% is determined by factors outside the model. The adjusted coefficient of determination of 0.352 decreased only 1.9 percentage points from its raw value, indicating that the model did not experience inflation due to the number of predictors. The standard error of the estimate of 1.279 indicates a moderate residual dispersion relative to the range of performance scores. A summary of the verification of the three hypotheses is presented in Table 8.

Table 8: Summary of Hypothesis Testing Results

Code	Hypothesis Statement	Test Statistics	Sig.	Decision
H_1	Competence has a positive and significant influence on employee performance	t = 2.538 > 1.997; β = 0.309	0.014	Accepted
H_2	Performance allowances have a positive and significant effect on employee performance.	t = 3.059 > 1.997; β = 0.372	0.003	Accepted
H_3	Competence and performance allowances simultaneously have a positive and significant effect on employee performance.	F = 19.474 > 3.14; R^2 = 0.371	0,000	Accepted

Source: author's processed results (2026). Significance level 0.05; df = 66 for t-test and (2; 66) for F-test.

Employee Competence and Performance

The finding that competence has a positive and significant effect on the performance of Aceh BPSDM employees places this study within the majority of the literature, although not undisputed. Its direction and significance align with a study on Tanzanian public procurement personnel that found staff competence to be a positive determinant of performance (Mwagike, 2025), a study on Chinese university counselors that found knowledge, skills, traits, and motives to be significantly related to performance (Cao et al., 2024), and a study on lecturers that found work competence through work engagement (Yan & Yuan-Cheng, 2023). In the Indonesian context, this finding

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corroborates the results of research on agricultural extension workers in Central Lampung (Zulkarnain et al., 2023) and on Indonesian employees (Wijayanto & Riani, 2021). Evidence from other perspectives also supports the same direction: professional competence has been shown to directly influence the performance of millennial employees even as task complexity increases (Indrayani et al., 2023), while employee dynamic capabilities have been shown to drive performance through innovative work behavior in public hospitals (Al Wali et al., 2022).

What's more interesting is the comparison with studies with different results. Research at the West Sumatra Central Statistics Agency found that competency had a positive but insignificant effect on performance, and only became significant after job satisfaction was assessed (Afuan et al., 2024). Why are the results different in similarly knowledge-based institutions? One plausible explanation lies in the diversity of competencies among respondents. In institutions with relatively homogeneous levels of competency among employees, the predictor variance narrows, and the regression coefficient tends to be pushed toward zero. The Aceh Human Resources Development Agency (BPSDM) exhibits a wider educational distribution—from elementary school to master's degree—so the available competency variance for estimation is greater. This principle also explains the coefficient of determination of only 0.084 in the study of agricultural extension workers (Zulkarnain et al., 2023): significance and apparent power are two different things.

The internal structure of the competency variables enriches this interpretation. The attitude dimension achieved the highest mean (4.58) and the highest discriminatory power (r = 0.840), while the operational skills dimension achieved the lowest mean (4.46). This means that the items that most distinguish high-performing employees from others are not technical mastery, but rather discipline, responsibility, and compliance with regulations. This pattern resonates with findings in the Ghanaian public sector that employee integrity positively influences job performance, with satisfaction and organizational identification acting as mediators (Konadu et al., 2024), and with the Czech public administration competency mapping, which identified soft skills as the most perceived employee need (Krpálek et al., 2021). For an agency tasked with training others, this finding contains a productive irony: the strongest asset of Aceh's Human Resources Development Agency (BPSDM) employees is their work ethic, while mastery of work tools and methods—the most easily trained competency—is actually their weakest point.

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Competencies also don't stand alone in their organizational context. Research on 641 respondents found that employee competencies need to be situationally matched to the organizational culture to prevent work pressure from escalating (Kim & Jung, 2022). From an HR policy perspective, high-performance work practices have been shown to shape employee career competencies, which in turn influence service quality and creative performance (Kamna & Ilkhanizadeh, 2022). These two findings imply that improving competencies without addressing the context within which they are embedded risks short-lived improvements.

Performance Allowance and Employee Performance

The finding that performance-related pay has a positive and significant effect places this research in a more controversial position. A meta-analysis of public administration studies found a positive but small effect of performance-related pay, and it was particularly weaker on performance outcomes than on employee attitudes (George & van der Wal, 2023). The Maldivian civil service even showed a negative trend, with organizational commitment partially dampening the effect (Sudha et al., 2024). In Saudi Arabia's industrial sector, the direct effect of incentives was insignificant and only became significant through job satisfaction (Alkandi et al., 2023). How can we explain these more robust results in this research setting?

Three explanations are worth considering. First, cultural context. A meta-analysis of public administration studies found a larger PRP effect in Asian contexts than in Europe and the United States, possibly related to cultural biases toward monetary rewards (George & van der Wal, 2023). A cross-cultural meta-analysis of public service motivation also found a stronger relationship in high power distance cultures (Fan et al., 2022). Indonesia falls into this category.

Second, the base salary level. In lower-income countries, benefits contribute a larger portion of total civil servant income, making them more sensitive to changes in benefits. A multilevel analysis of bureaucrats in ten countries found that the link between performance-based rewards and job satisfaction actually strengthened as national income rose (Cantarelli et al., 2025), while a study of Somali local governments found that material incentives were strongly associated with short-term performance (Abdukadir & Osman, 2026). These two findings may seem contradictory, but they both demonstrate that the size of the base salary changes the psychological meaning of benefits.

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Third, and perhaps most crucial, is scheme design. The PRP literature consistently finds that success is determined not by the existence of a scheme but by its design—its objectives, implementation mechanisms, and organizational context (Park, 2021). Studies in Swedish public sector organizations show that the same scheme can be both motivating and demotivating within a single organization, depending on the quality of the performance appraisal dialogue between superiors and subordinates (Larsson et al., 2021). Experiments on public management tasks found that employees perceive performance-based pay as fairer than uniform pay, with greatest effectiveness for routine tasks (Belardinelli et al., 2022). In Indonesia, legally structured performance evaluation documents serve as the basis for benefit payments (Ministerial Regulation of Administrative and Bureaucratic Reform No. 6 of 2022), making the link between assessment and pay relatively explicit and readily anticipated by employees. Such clarity is a prerequisite for the expectancy mechanism underlying expectancy theory of motivation to operate, as explored in a comparison of the Pakistani and Chinese public sectors (Ahmad et al., 2026).

These positive conclusions should be cautiously overstated. The fundamental difficulty in implementing performance-based pay in the public sector lies in the lack of a valid way to measure productivity, as confirmed by theoretical analysis and simulations of a Brazilian government agency (de Britto et al., 2022). A review comparing individual and collective schemes even found that collective schemes were associated with higher performance, and no study showed individual incentives outperforming collective schemes (Wood et al., 2023). Another cautionary tale comes from an analysis of US federal agencies, which found that performance-based pay can interact with a results-oriented culture and actually widen inequalities between employee groups (Marvel, 2025). At the organizational level, pay increases for bureaucrats have been shown to improve the delivery of labor-intensive public services, but they can also weaken spending accountability (Fernandez & Madumo, 2022). Benefit schemes, in other words, work—but not without side effects.

The mechanisms linking rewards to performance are rarely straightforward. Intrinsic rewards have been shown to influence performance through employee motivation as a mediator (Manzoor et al., 2021), while compensation systems act on employee satisfaction, with motivation as the intermediary pathway (Zayed et al., 2022). An individual-centered approach found that the profile of total reward satisfaction—not the amount of reward alone—differentiated levels of task performance and contextual performance across employee subgroups (Li et al., 2023). Findings among young

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Indonesian workers even suggest a shift in preference from monetary incentives to self-capability development (Tarigan et al., 2022). Within this framework, the coefficients obtained in this study should be interpreted as the combined effect of the direct and indirect pathways, which are not separated by the model.

The internal structure of this variable provides additional clues. The highest-scoring item was the quality of work results (4.62), while the lowest was the timeliness of task completion (4.41). This 0.21-point difference aligns with earlier observations regarding delays in work completion. Employees appear to believe that quality is valued, but less so that speed is equally valued. Within the framework of expectancy theory, such perceptions undermine incentives to improve the time dimension—and time is, in fact, a major complaint among service users.

Predictor Dominance and the Coefficient Metric Issue

This section presents a finding that distinguishes this study from the norm. If dominance is read from the unstandardized coefficients, competence appears stronger because B = 0.425 exceeds B = 0.298. This reading is misleading. The two variables are measured with different numbers of items—three items for competence and five items for performance allowance—so their composite scores have unequal ranges and standard deviations. Comparing B under such conditions is equivalent to comparing lengths measured in centimeters and inches.

The standardized coefficients yield contradictory yet internally consistent results: performance allowances obtained β = 0.372, while competency obtained β = 0.309. The t-values confirm the same order, with 3.059 for performance allowances and 2.538 for competency, as do their significance levels (0.003 versus 0.014). The three different indicators point in the same direction. The conclusion that can be maintained is that performance allowances are a more dominant predictor of BPSDM Aceh employee performance. Figure 4 presents the empirical model and its standardized coefficients.

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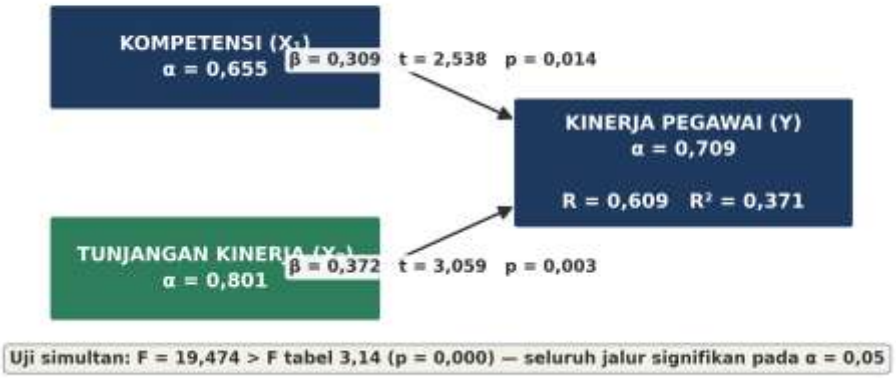


Figure 4: Empirical Model with Standardized Coefficients
Source: author's processed results (2026)

The instrument's reliability strengthens this conclusion rather than weakens it. The competency scale had an alpha of 0.655, while the performance allowance scale had an alpha of 0.801. The larger measurement error on the competency scale pushed its coefficient estimate toward zero. In other words, the competency coefficient is likely slightly underestimated, yet it remains below the performance allowance coefficient. The difference between the two is not a measurement artifact.

The practical consequences are clear. Agency leaders who conclude that competence is the dominant factor will allocate budgets to training; leaders who consider standardized coefficients will prioritize improving the transparency and accuracy of benefit schemes. Both remain important—H_1 and H_2 are equally acceptable—but their priorities differ, and regional budgets are rarely sufficient to address both at full intensity.

Reading the Coefficient of Determination 37.1 Percent

The model explained 37.1% of the variation in employee performance. This figure is often reported apologetically in the Indonesian literature, as if it indicates a weak model. This reading is inappropriate for organizational behavior research with two predictors. By comparison, a study of competence and motivation on agricultural extension worker performance obtained an R^2 of 0.084 (Zulkarnain et al., 2023), while a meta-analysis of organizational-level training found a corrected correlation of 0.13

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between training and organizational performance (Kim et al., 2025). Two predictors explaining more than one-third of the variation is a reasonable, even good, result.

More useful is to ask what constitutes the remaining 62.9%. The literature offers several well-tested candidates. Public service motivation is the most well-established; a meta-analysis of 177 studies found a positive association with both in-role and extra-role performance (Tang et al., 2024), and a cross-cultural meta-analysis confirmed this association is stronger in high-power-distance societies (Fan et al., 2022). A study of Vietnamese public servants found public service motivation directly influences performance through job satisfaction and person-organization fit (Thuy & Phinaitrup, 2021), while bibliometric mapping suggests this debate is ongoing and has yet to reach a consensus (Das, 2022).

Leadership is a second candidate. A study of 208 employee-supervisor pairs in Vietnam found that transformational leadership influenced performance through participation in the development of performance measures and public service motivation (Tran & Hoang, 2024). A study of Pakistani civil servants found that public leadership operated through public service motivation, with environmental complexity acting as a negative moderator (Verka et al., 2024). In the Indonesian context, research at the North Sumatra Education Office found that leadership, organizational culture, and work ethic positively influenced performance, while conflict negatively influenced (Ferine et al., 2021).

A study of Pakistani public servants also found that public service motivation is positively related to organizational performance, with altruism and political support as catalysts (Zubair et al., 2021), while a study of 361 Vietnamese local government officials identified this motivation as a strengthening factor in the relationship between servant leadership and innovative work behavior (Vuong, 2022). Job characteristics themselves also shape motivation: the use of high-quality skills and autonomy in determining how and when to work have been shown to foster it (Kiyak & Karkin, 2022), and the development of a work motivation scale based on self-determination theory suggests that a supportive work climate is associated with autonomous motivation (Xu, 2022).

The third candidate is contextual. The work environment has been shown to influence task performance through employee commitment and achievement (Zhenjing et al., 2022), while organizational constraints reduce performance through weakening commitment and job crafting behaviors (Turek et al., 2024). A study in local governments found that the work environment and work discipline had significant effects, while work culture did not (Sitorus et al., 2025). Work engagement has also been shown to be an

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important pathway between organizational factors and productivity (Abdelwahed & Doghan, 2023). A fuzzy-set-based qualitative comparative analysis of healthcare workers concluded that the recipe for good performance is a combination of leadership, commitment, and a supportive work environment—not either one in isolation (Yáñez-Araque et al., 2021), a pattern also emerging among industrial employees (López-Cabarcos et al., 2022). In Indonesia, research on Islamic property companies found organizational commitment and leadership style to be the largest contributors to performance, while job satisfaction was insignificant (Latifah et al., 2023). This list is not exhaustive, but it suffices to show that the unexplained 62.9% is not a vacuum but rather territory that has been mapped in the literature.

Theoretical and Practical Implications

Theoretically, this study makes three contributions. First, it adds evidence from middle-income countries to the debate on the effectiveness of performance-based pay in the public sector, an area still sparse compared to OECD countries (Ahmad et al., 2024; Cantarelli et al., 2025). Second, it shows that in the setting of a civil servant human resource development agency, financial incentives can outperform competency as a predictor of performance—a finding that is counterintuitive to the institutional setting of the training institution itself. Third, it demonstrates that the metric used to interpret regression coefficients changes the substantive conclusions, not just their presentation.

Practically, three recommendations follow from the findings. First, because performance allowances are the dominant predictor and their weakest factor is timeliness, the Aceh BPSDM leadership should clarify the weighting of the time dimension in the assessment mechanism and communicate that weighting openly. The literature confirms that the quality of the assessment dialogue, not the monetary amount, determines whether a scheme is motivating or demotivating (Larsson et al., 2021), and that clarity of criteria is a prerequisite for effectiveness (Park, 2021).

Second, because the skills dimension is the weakest point of competency, development programs should be directed at mastering work tools and methods, rather than attitudinal training, which is already a strength. On-the-job training has been shown to effectively improve performance when designed in alignment with employee psychological readiness (Naing & Fang, 2025), and investments in human capital development have been shown to positively impact the performance of government institutions (Wesemann, 2021). Training evaluation should also be directed at measurable performance improvements, not just participant satisfaction (Mehale et al.,

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2021). Organizational absorptive capacity also determines outcomes, as organizational learning capabilities have been shown to strengthen the relationship between training and performance (Hussain et al., 2023), while competency frameworks for volatile environments position continuous learning and adaptive mindsets as competencies that need to be designed, not expected to develop on their own (Shet, 2024). A sequential mediation model in the Portuguese public sector demonstrates a relevant chain for BPSDM Aceh: training builds competencies, competencies improve performance assessment results, and assessment results pave the way for career development (Silva & Rodrigues, 2025).

As a complement, strengthening the overall performance management system is worth considering. Evidence from Ethiopian small and medium-sized enterprises suggests that among the various components of a performance management system, the evaluation stage is the strongest link to improved performance (Siraj & Hágen, 2023). A study of Moroccan public institutions and state-owned enterprises found that training, selective recruitment, digital transformation, and performance-based compensation all had a positive effect on employee performance, while job security did not (Jebbari, 2023). This latter finding aligns with the logic that permanent employment status is not necessarily a performance lever in itself.

Third, considering that 52.2% of respondents had less than one year of service due to employment status transitions, agencies need to design induction and mentoring programs that differentiate administratively new employees from substantively new employees. Human resource practices have been shown to improve performance through employee competency building (Kaur & Kaur, 2021), and career development, along with on-the-job training, through organizational commitment (Hosen et al., 2024). In organizations with varying degrees of employment permanence, these pathways cannot be assumed to be uniform (Goetz & Wald, 2022).

Research Limitations

Four limitations need to be addressed. First, the cross-sectional design does not allow for strict causal inference; conditional associations, not cause-and-effect, are tested. Second, all variables were measured via self-report at a single point in time and from a single source, so common method bias cannot be ruled out. A mean concentration above 4.4 on a five-point scale raises the suspicion of social desirability bias, and further research should utilize performance appraisals from superiors or objective data on SKP achievement. Third, the sample size of 69 with a 10% margin of

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error limits the precision of estimates and test power, particularly for detecting interaction effects. Fourth, the competency scale consisted of only three items with an alpha of 0.655, which, while meeting the threshold, limits the accuracy of the construct's measurement. Further research is recommended to expand the model with public service motivation, leadership, and work environment as additional variables (Tang et al., 2024; Tran & Hoang, 2024; Zhenjing et al., 2022), as well as examining employment status as a moderating variable given the nearly equal composition of civil servants and PPPK in this agency.

CONCLUSION

This study examines the influence of competence and performance allowances on the performance of Aceh Human Resources Development Agency employees based on 69 respondents drawn by simple random sampling from a population of 219 employees. All three hypotheses are accepted. Partially, competence has a positive and significant effect with a calculated t of 2.538 exceeding the t table of 1.997 at a significance of 0.014. Performance allowances also have a positive and significant effect with a calculated t of 3.059 at a significance of 0.003. Simultaneously, both have a significant effect with a calculated F of 19.474 exceeding the F table of 3.14 at a significance of 0.000, and together explain 37.1% of the variation in employee performance.

The primary contribution of this study lies in identifying the dominant predictors. Based on the standardized coefficients, performance allowances (β = 0.372) outperform competencies (β = 0.309), and this order is consistently confirmed by both the t-values and the respective significance levels. Reading the unstandardized coefficients would lead to the opposite conclusion, and that conclusion is untenable because the two variables are measured with different numbers of items, making their composite scales unequal. This finding is not merely a technicality: it suggests where the agency's budget should be directed first.

Item analysis clarifies the direction of improvement. In the competency variable, the dimension of skills in the use of tools and work methods is the weakest point with an average of 4.46, while the attitude dimension is a strength with an average of 4.58. In the performance allowance variable, the dimension of timeliness of task completion is the weakest point with an average of 4.41, while the dimension of quality of work results is the highest with an average of 4.62. Both gaps point to the same problem, namely the timely and technically efficient execution of tasks—a problem also reflected in

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complaints about the slowness of the administrative service process. Policy priorities should therefore be directed towards emphasizing the weight of the time dimension in performance assessment mechanisms while strengthening operational skills through job-based training.

These findings are limited to a single agency, a single point in time, and self-reported measurements, so generalizations should be cautious. Further research is recommended to incorporate public service motivation, leadership, and the work environment into the model, use performance measures from sources other than the individual employee, and examine the employment status of civil servants (PNS) and PPPK (Regional Employee Competency Assessment) as moderating variables. In agencies whose primary task is to develop the competency of regional officials, the question of why financial incentives are more important than competency itself is worth further investigation.

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