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Unpacking the Mechanisms of Individual Performance: The Mediating Roles of Meaningful Work, Performance Allowances, and Competence

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ABSTRACT

Purpose - This study aims to examine the mechanisms underlying individual performance by analyzing the roles of competence, performance allowances, and meaningful work within an integrated framework in the public sector. Improving employee performance remains a critical challenge, particularly in government organizations where both accountability and service quality are essential.
Design/methodology/approach - This research adopts a quantitative approach using a survey design, with data collected from 302 civil servants in South Bolaang Mongondow Regency, Indonesia. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the proposed relationships among variables.
Finding/Results - The findings reveal that competence and performance allowances have positive and significant effects on both meaningful work and employee performance, with performance allowances demonstrating the strongest direct influence on performance. Meaningful work is also found to significantly enhance employee performance, highlighting the importance of psychological factors alongside capability and financial incentives.
Originality/Value - Furthermore, the results confirm that meaningful work partially mediates the relationships between competence and performance, as well as between performance allowances and performance, indicating that both individual capabilities and external rewards are more effective when internalized through employees' perception of work meaningfulness. The model shows strong explanatory power, suggesting its robustness in explaining employee performance. These findings contribute to integrating human capital, pay-for-performance, and self-determination perspectives and provide practical insights for public organizations to adopt a more holistic approach to performance management.

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1. Introduction

Improving individual performance is a key challenge in modern organizational management, particularly in the public sector, which faces demands for enhanced service quality, transparency, and accountability. Public organizations in various countries are increasingly required to operate effectively and responsively to meet society's evolving needs (Singun, 2025). In this context, performance management systems are no longer viewed merely as administrative tools for evaluating employee work outcomes, but have evolved into strategic instruments aimed at enhancing organizational effectiveness by optimizing individual contributions (Jo et al., 2020; Nor, 2023). Therefore, understanding the factors influencing individual performance has become a critical issue in human resource management and organizational behavior research.

In public sector organizations, individual performance has broad implications, as it directly affects the quality of public services and public trust in government institutions (Mahmud, 2021). Unlike private-sector organizations, which are profit-oriented, public organizations are responsible for generating social value and delivering high-quality services to society (Sumarmi et al., 2025). Consequently, improving the performance of public servants has become a key agenda in various bureaucratic reform and public administration modernization programs. Several studies indicate that employee performance is influenced by factors such as individual capacity, organizational incentive systems, and psychological conditions in the work environment (Alkandi et al., 2023; Zacharias et al., 2021).

One important factor consistently associated with individual performance is work competency. Work competency reflects the combination of knowledge, skills, and abilities that employees possess to carry out their tasks and responsibilities effectively (Salman et al., 2020b, 2020a). Employees with high competency tend to be more capable of completing work efficiently, adapting to changes in the work environment, and making greater contributions to achieving organizational goals. Numerous studies show that competency development through training, education, and professional experience can significantly enhance productivity and employee performance (Hasib et al., 2020; Mustafa & Lleshi, 2024).

In addition to competency, the compensation system also plays a crucial role in influencing employee motivation and behavior. In many public sector organizations, performance allowances have been introduced as part of human resource management reforms to increase accountability and employee productivity (Demmke, 2019; Onavwie et al., 2023). Performance allowances are financial incentives granted to employees based on performance achievements or specific job responsibilities (Rafiun et al., 2022). The provision of these incentives is expected to encourage employees to work more effectively and align individual efforts with organizational goals. Previous research indicates that performance-based compensation can enhance motivation and employee performance when designed and implemented fairly and transparently (Bangura, 2026; Gerhart et al., 2026).

Alongside factors of ability and financial incentives, recent organizational research increasingly emphasizes the importance of psychological factors in influencing employee performance. One concept that has received widespread attention is meaningful work, namely the perception that the work performed has meaning, purpose, and broader value beyond merely completing routine tasks (Laaser & Karlsson, 2022). Employees who view their work as meaningful tend to exhibit higher intrinsic motivation, work engagement, and organizational commitment, which ultimately can improve their performance (Inam et al.,

2023; Kaur & Mittal, 2020). In the public sector, meaningful work is highly relevant because many employees are motivated to contribute to societal interests and public service.

Although competency, performance allowances, and meaningful work have been extensively studied in the management and organizational behavior literature, most prior research has examined these factors separately. Studies on competency generally emphasize its direct influence on employee performance (Hasib et al., 2020; Kim & Jung, 2022), while research on compensation focuses more on the relationship between financial incentives and work motivation (Fulmer et al., 2023; Kulikowski & Sedlak, 2020). On the other hand, studies on meaningful work often highlight its association with work engagement or job satisfaction (Albrecht et al., 2021; Karatas & Ozdemir, 2022). As a result, understanding how factors of ability, organizational incentive mechanisms, and employees' psychological experiences interact to influence individual performance remains relatively limited.

Furthermore, research examining mediating mechanisms in the relationship between these factors and individual performance is also scarce, particularly in the context of public sector organizations. However, understanding the mechanisms by which competency and performance allowances can be translated into improved performance through psychological experiences, such as meaningful work, is an important aspect of developing performance management theory. Without such understanding, organizational efforts to enhance employee performance through competency development and financial incentives may not yield optimal impact.

Based on these research gaps, a more comprehensive approach is needed to understand the underlying mechanisms of individual performance. Integrating individual ability factors, organizational incentive mechanisms, and employees' psychological experiences within a single analytical framework is expected to provide a more thorough understanding of how employee performance is formed in organizations (Klindžić & Galetić, 2020). By integrating competency, performance allowances, and meaningful work into one research model, this study seeks to offer a more holistic perspective on the factors influencing individual performance.

Although previous studies have extensively examined the direct effects of competence, performance allowances, and meaningful work on employee performance, most prior research has treated these variables independently and predominantly within private-sector contexts. Limited attention has been given to explaining the psychological mechanism through which structural factors (such as performance-based allowances) and individual capabilities (such as competence) are transformed into actual employee performance in public sector organizations. In particular, studies rarely view meaningful work as an internal psychological pathway that simultaneously connects external organizational incentives, employee capabilities, and performance outcomes.

This study addresses this gap by proposing and empirically testing an integrated performance mechanism model that combines human capital theory, performance-based pay theory, and self-determination theory within a single framework. Unlike previous studies that primarily focus on direct relationships, this research emphasizes the mediating role of meaningful work as a psychological process through which competence and performance allowances influence employee performance. Therefore, this study not only explains whether competence and performance allowances affect performance, but also, more importantly, clarifies how these effects occur in the context of public sector employees.

Furthermore, this study contributes to the public sector human resource management literature by demonstrating that employee performance is not solely driven by technical capability or financial incentives, but also by employees' perceptions regarding the significance and social value of their work. This perspective is particularly important in public organizations, where public service motivation and social contribution are central aspects of employee behavior.

Therefore, this study aims to uncover the mechanisms underlying individual performance by analyzing the mediating role of competency, performance allowances, and meaningful work. Specifically, this research aims to analyze the relationships among competency, performance allowances, meaningful work, and individual performance, and to test the mediating roles of these variables in explaining variations in employee performance. Accordingly, this study is expected to make theoretical contributions to the development of the performance management literature and to offer practical implications for public sector organizations in designing more effective strategies to improve employee performance.

The originality of this study lies in its attempt to explain employee performance through an integrated mechanism involving competence, performance allowances, and meaningful work simultaneously within the public sector context. This study moves beyond conventional direct-effect models by demonstrating the mediating psychological role of meaningful work in transforming both individual capabilities and external incentives into higher employee performance.

2. Literature Review & Hypothesis Development

2.1 Individual Performance

Individual performance is widely recognized as a critical determinant of organizational effectiveness (Sumarmi et al., 2024). Contemporary performance literature emphasizes that individual performance is not merely a quantitative outcome of work but a multidimensional construct reflecting behaviors relevant to organizational goals. One of the most established frameworks conceptualizes individual performance into three dimensions: task performance, contextual performance, and counterproductive work behavior (CWB)(Carpenter et al., 2021). Task performance refers to behaviors directly related to core job responsibilities, contextual performance involves extra-role behaviors that support the organizational environment, while CWB refers to behaviors that harm organizational effectiveness (Dåderman et al., 2020; Koopmans et al., 2016).

This multidimensional approach has been widely validated across different cultural and organizational contexts using the Individual Work Performance Questionnaire (IWPQ), which has demonstrated strong reliability and construct validity in measuring employee performance (Musafir, 2022; Santalla-Banderali & Alvarado, 2022). Within modern performance management perspectives, individual performance is considered the outcome of interactions between organizational systems and individual psychological processes (Awan et al., 2020).

Performance management systems are increasingly viewed as strategic tools rather than merely administrative control mechanisms. For example, performance measurement systems have been shown to enhance organizational ambidexterity and firm performance by aligning employee behaviors with strategic objectives (Mura et al., 2020). Furthermore, research on high-performance work systems (HPWS) indicates that integrated human resource practices

can significantly improve employee psychological well-being and service performance (Jo et al., 2020).

In the context of public sector organizations, individual performance is particularly important because it directly affects public service quality and institutional effectiveness. Public employees operate within complex institutional environments where performance outcomes are shaped not only by organizational structures but also by individual capacities and psychological experiences (Knies et al., 2024). Previous studies indicate that employee performance results from the interaction between individual capabilities (competence), external regulatory mechanisms such as incentives or allowances, and internal psychological states such as meaningful work (Alkandi et al., 2023).

2.2 Work Competence

Competence is generally defined as an individual's capacity consisting of knowledge, skills, abilities, and behavioral attributes that enable effective job performance (Salman et al., 2020b, 2020a). In the context of organizational behavior, competence encompasses both technical expertise and interpersonal capabilities that influence how individuals perform their tasks and interact within organizational systems (Skrinjaric, 2022).

Recent studies highlight that competence is not limited to technical skills but also includes behavioral characteristics, intrinsic motivation, and professional values that shape employee effectiveness (Huu, 2023; Salman et al., 2020a). Empirical research further demonstrates that competence can be reliably measured and effectively distinguishes high-performing individuals from average performers (Cao et al., 2024; Erduran et al., 2020). In human resource management literature, competence is frequently conceptualized as a core component of human capital, which significantly contributes to both individual and organizational performance (Salman et al., 2020b; Skrinjaric, 2022). Competent employees are better equipped to adapt to dynamic work environments, solve complex problems, and perform tasks efficiently. As a result, competence development through training and professional learning is widely recognized as a key strategy for improving employee productivity.

Within the public sector, competence development is particularly crucial because public organizations rely heavily on the professional capabilities of civil servants to deliver effective public services. Research suggests that enhancing employee competence through training and professional development programs significantly improves service quality and bureaucratic effectiveness (Ismail, 2025).

From a psychological perspective, competence also influences self-efficacy and perceived control over work tasks, which in turn enhance employees' confidence and motivation. Individuals who perceive themselves as competent tend to exhibit higher levels of task performance, proactive behavior, and problem-solving ability. Moreover, competence can contribute to employees' perception of meaningful work because individuals who feel capable of performing their roles effectively are more likely to perceive their contributions as valuable and impactful (Albrecht et al., 2021; Frémeaux & Pavageau, 2021).

However, competence alone may not fully explain variations in employee performance. Several studies indicate that the translation of competence into actual performance outcomes often depends on psychological mechanisms that motivate individuals to utilize their capabilities effectively. Based on this reasoning, the following hypotheses are proposed:

H1: Competence has a positive and significant effect on employee performance.

H3: Competence has a significant effect on meaningful work.

2.3 Performance Allowances

Performance allowances represent a form of performance-based compensation designed to motivate employees by linking financial rewards to performance achievements (Akuffo-aduamah, 2025). From a motivational perspective, pay-for-performance systems aim to align employee behavior with organizational objectives by providing tangible incentives for high performance.

Previous research suggests that the effectiveness of performance-based compensation largely depends on employees' perceptions of fairness, transparency, and objectivity in performance evaluations (Bangura, 2026; Fulmer et al., 2023). When employees perceive the reward system as fair and performance-based, incentives can significantly increase motivation, helping behavior, and productivity (Alkandi et al., 2023; Onavwie et al., 2023). Conversely, perceived unfairness in compensation systems may undermine motivation and reduce performance.

Performance measurement systems that are integrated with reward systems can further enhance organizational performance by reinforcing desired behaviors and encouraging employees to achieve organizational targets (Mura et al., 2020). In public sector contexts, performance allowances are often introduced as part of broader bureaucratic reforms aimed at improving administrative efficiency and accountability. For example, performance allowances in public organizations are typically determined based on indicators such as workload, performance achievement, work location, and working conditions. Such compensation schemes are intended to motivate employees to perform better and align individual efforts with institutional goals (Nor, 2023).

Nevertheless, the literature also indicates that financial incentives alone may not guarantee optimal performance. Employees may not respond positively to external rewards if their work lacks intrinsic value or psychological significance. In other words, the motivational effects of financial incentives may depend on employees' perceptions of the meaningfulness of their work. Based on these arguments, the following hypotheses are proposed:

H2: Performance allowances have a positive and significant effect on employee performance.

H4: Performance allowances have a significant effect on meaningful work.

2.4 Meaningful Work

Meaningful work refers to the perception that work has intrinsic value, purpose, and significance for both the individual and society (Laaser & Karlsson, 2022). Within the framework of Self-Determination Theory (Battaglio et al., 2022), meaningful work emerges when individuals experience the fulfillment of basic psychological needs such as competence, autonomy, and relatedness (Albrecht et al., 2021; Pimenta et al., 2022).

Two theoretical frameworks are frequently used to explain meaningful work. The Meaning of Work (MOW) framework emphasizes the importance of work in individuals' lives, while the Job Characteristics Model explains how specific job characteristics such as task significance, autonomy, and skill variety contribute to the experience of meaningful work (Cotič et al., 2025). Empirical evidence demonstrates that meaningful work is strongly associated with positive organizational outcomes. Employees who perceive their work as meaningful tend to exhibit higher levels of engagement, proactive behavior, and professional commitment. Studies show that meaningful work positively influences supervisor-rated performance and professional effectiveness (Hirschi & Spurk, 2021; Lips-wiersma et al., 2020). Additionally, meaningful work encourages proactive behavior and job crafting, enabling employees to actively shape their work roles to enhance performance (Silva et al., 2022).

Conversely, the absence of meaningful work can lead to negative workplace outcomes such as deviant behavior and disengagement (Allumi et al., 2024). These findings highlight the importance of meaningful work as a psychological resource that transforms individual capabilities and organizational systems into actual performance behaviors. Therefore, meaningful work can be conceptualized as a mediating psychological mechanism that explains how competence and performance allowances influence individual performance.

Based on this reasoning, the following hypotheses are proposed:

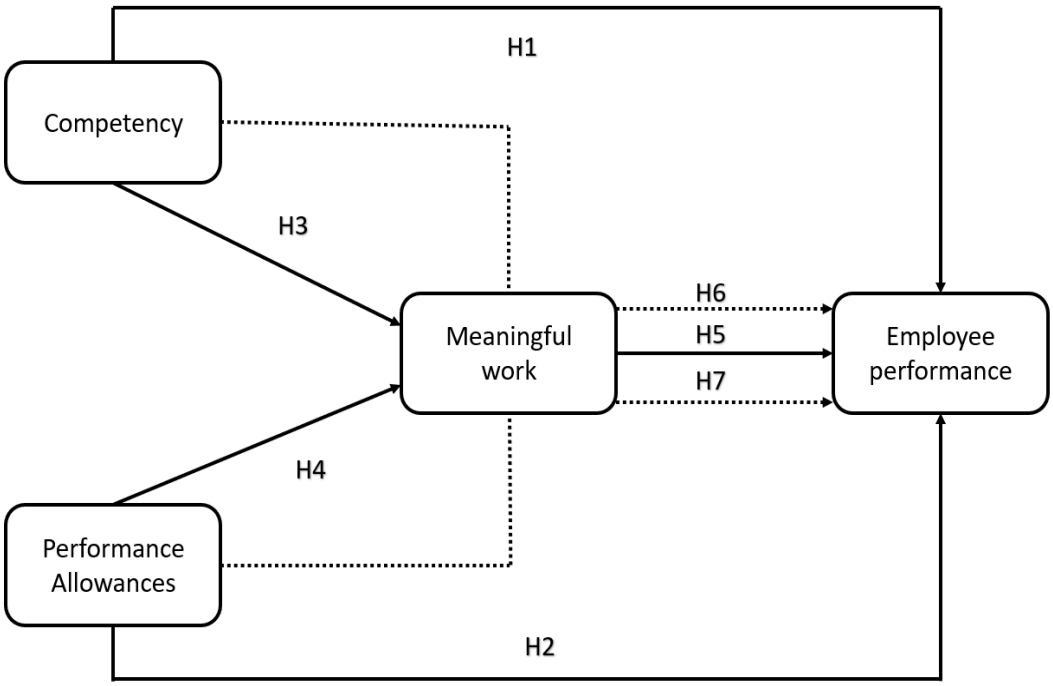
H5: Meaningful work has a positive and significant effect on employee performance.

H6: Competence has a significant effect on employee performance through meaningful work.

H7: Performance allowances have a significant effect on employee performance through meaningful work.

Based on the various hypotheses proposed, which are based on previous theories and research, the research model can be illustrated as follows:

Figure 1. Conceptual framework



3. Methodology

3.1 Research Design

This study employed a quantitative research approach, using a survey design, to examine the relationships among competence, performance allowances, meaningful work, and individual performance. The quantitative approach was considered appropriate because the research aimed to test causal relationships among variables and evaluate the proposed hypotheses through statistical analysis (Ghanad, 2023). The study adopted a cross-sectional design, collecting data at a single point in time from employees working in public sector institutions.

3.2 Population and Sample

The study population consisted of all civil servants employed by the government of South Bolaang Mongondow Regency, Indonesia. The total population included 1,195 employees

across various government institutions. The sample size was determined using the Slovin formula, commonly used in survey research when the population size is known (Yamane, 1967). Based on this formula, a sample size of 302 employees was obtained. This number was considered sufficient to represent the population and meet the minimum sample requirements for PLS-SEM analysis.

The sampling technique used in this research was proportional sampling, ensuring that respondents were selected in proportion to their representation within the local government's organizational units. This approach ensured the sample reflected the distribution of employees across departments, thereby improving data representativeness.

3.3 Research Instruments

Data were collected using a structured questionnaire designed to measure the four main variables of the study: competence, performance allowances, meaningful work, and individual performance. All items were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The measurement instruments were adapted from previously validated scales in international literature to ensure validity and reliability. Competence refers to the knowledge, skills, and behavioral capabilities that enable employees to perform their tasks effectively. The competence variable was measured using four indicators: Applying knowledge to real-world situations, Incorporating scientific, clinical, and humanistic judgment, Handling conflict, and Tolerance of ambiguity and anxiety (Epstein & Hundert, 2002).

Performance allowances are financial incentives provided to employees based on their work performance and job responsibilities. This variable was measured using four indicators: Fairness of performance allowance; Performance-based reward; Motivational impact of allowance; Recognition of employee contribution (Gerhart et al., 2026). Meaningful work refers to employees' perceptions that their work is significant, purposeful, and valuable. The variable was measured using three indicators: Positive meaning in work; Meaning making through work; and Greater good motivation, developed by (Steger et al., 2012).

Individual performance refers to employees' work behaviors and outcomes that contribute to organizational goals. The variable was measured using Work quality, Work quantity, Task completion efficiency, Problem-solving ability, Initiative at work, Cooperation with colleagues, Organizational citizenship behavior, Adaptability to work changes, and Avoidance of counterproductive work behavior, adapted from the Individual Work Performance Questionnaire (IWPQ) developed by (Koopmans et al., 2016).

3.4 Data Collection Procedures

The data collection process involved distributing questionnaires directly to employees of various government agencies in South Bolaang Mongondow Regency. Before distribution, respondents were informed of the study's purpose and assured that their responses would remain confidential.

Participation in the study was voluntary, and respondents were asked to complete the questionnaire based on their perceptions and experiences in their respective workplaces. The completed questionnaires were then collected and screened to ensure completeness and accuracy before being used for data analysis.

3.5 Data Analysis Techniques

Data analysis in this study used Structural Equation Modeling (SEM) to examine the relationships among the latent constructs proposed in the research model. The analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with

SmartPLS. Although the research model is theoretically grounded and confirmatory in nature, typically associated with covariance-based SEM (CB-SEM), PLS-SEM was chosen as the estimation technique because it is more suitable for models with relatively complex structures, smaller sample sizes, and data that may not meet the strict multivariate normality assumptions required by CB-SEM (Hair et al., 2022; Henseler et al., 2015). Furthermore, PLS-SEM is widely applied in behavioral and information systems research for theory testing and prediction-oriented analysis.

The analysis followed the recommended two-stage approach in PLS-SEM: evaluation of the measurement model (outer model) and the structural model (inner model) (Hair et al., 2022). The measurement model was assessed to evaluate the reliability and validity of the constructs. Indicator reliability was evaluated using outer loadings, where values greater than 0.70 indicate that the indicators adequately represent the latent constructs. Internal consistency was assessed using Cronbach's Alpha ≥ 0.70, and Composite Reliability (CR) ≥ 0.70.

Convergent validity was assessed using Average Variance Extracted (AVE). A construct is considered to have adequate convergent validity if: AVE≥ 0.50, which indicates that the construct explains at least 50% of the variance of its indicators (Fornell & Larcker, 1981). Discriminant validity was evaluated using the Fornell–Larcker criterion, where the square root of AVE must be higher than the correlation with other constructs, and Heterotrait–Monotrait Ratio (HTMT) with a recommended threshold below 0.90 (Roemer et al., 2021). After confirming that the measurement model met the reliability and validity requirements, the structural model was evaluated to test the hypothesized relationships between constructs. The R^2 value was used to assess the model's explanatory power. According to (Hair et al., 2022), 0.75 indicates substantial explanatory power; 0.50 indicates moderate explanatory power; and 0.25 indicates weak explanatory power.

Hypothesis testing was conducted using the bootstrapping procedure with 5,000 resamples to determine the significance of the path coefficients. The hypotheses were evaluated based on: t-statistic ≥ 1.96; and p-value ≤ 0.05. A relationship between constructs is considered statistically significant when these criteria are satisfied.

3.6 Ethical Considerations

Ethical considerations were taken into account throughout the research process. Respondents participated voluntarily and were informed of the study's objectives before completing the questionnaire. Confidentiality and anonymity were ensured, and the collected data were used solely for academic research.

4. Result and Discussion

4.1 Results

Measurement Model Evaluation

The measurement model was evaluated for reliability and construct validity using outer loadings, Cronbach's alpha, composite reliability, and Average Variance Extracted (AVE). Initial analysis to assess item validity indicated that several indicators had outer loadings below the recommended threshold of 0.70: IW, PS, TC, and WQL from the Employee Performance construct, and PR from the Performance Allowance construct. Therefore, these indicators were removed from the model to improve measurement quality before conducting the structural model analysis.

Table 1. Construct reliability dan validity

Variable	Item	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Work Competence	I have sufficient knowledge to perform my job duties effectively (KC)	0.787	0.906	0.907	0.711
	I possess the necessary skills to complete the job effectively (SA)	0.839			
	I can collaborate and communicate well with my coworkers (IC)	0.898			
	I am confident in my ability to perform my job (PC)	0.845			
Performance Allowances	The performance allowance I receive reflects the workload I perform (FP)	0.750	0.907	0.901	0.783
	The amount of the performance allowance is based on the difficulty of the location or the workplace conditions (MI)	0.959			
	The performance allowance reflects the working conditions faced by the employee (RC)	0.932			
Meaningful Work	The work I do has significant meaning to me (PM)	0.826	0.906	0.894	0.739
	My work helps me grow as a person (MM)	0.826			
	My work benefits others and society (GM)	0.924			
Individual Performance	I produce high-quality work. (WQ)	0.709	0.922	0.910	
	I take the initiative to improve the quality of my work (CC)	0.714			
	I collaborate with my coworkers to complete tasks (OCB)	0.910			0.679
	I adapt to changes in my work environment (AW)	0.928			
	I maintain a professional work environment and support the organization. (AC)	0.832			

After removing these indicators, all remaining items met the recommended threshold, with outer loadings ranging from 0.709 to 0.959, indicating that they adequately represent their respective constructs (see Table 1).

Construct reliability was also confirmed. Cronbach's alpha values ranged from 0.906 to 0.922, while composite reliability values ranged from 0.894 to 0.910, exceeding the recommended

minimum value of 0.70. These results indicate strong internal consistency among the indicators. Convergent validity is further supported by AVE values, which ranged from 0.679 to 0.783, all exceeding the 0.50 threshold. This result indicates that each construct explains more than 50% of the variance in its indicators.

Table 2. Heterotrait–Monotrait Ratio (HTMT) criteria

	Employee performance	**Meaningful work**	**Performance allowance**	**Work competency**
Employee performance				
Meaningful work	0.884			
Performance allowance	0.866	0.758		
Work competency	0.703	0.724	0.680	

Table 3. Fornell-Lacker criterion

	Employee performance	**Meaningful work**	**Performance allowance**	**Work competency**
Employee performance	0.824			
Meaningful work	0.708	0.860		
Performance allowance	0.784	0.501	0.885	
Work competency	0.216	0.475		0.843

Tables 2 and 3 present the results of discriminant validity tests, assessed using the Fornell–Larcker and Heterotrait–Monotrait Ratio (HTMT) criteria. The square root of the AVE for each construct is greater than its correlation with the other constructs, meeting the Fornell–Larcker criteria. Furthermore, HTMT values ranged from 0.680 to 0.884, which is below the recommended threshold of 0.90, indicating adequate discriminant validity among the constructs. Overall, these results confirm that the measurement model exhibits satisfactory reliability and validity.

Table 4. R^2

	R-square
Employee performance	0.748
Meaningful work	0.476

The R-square value for employee performance is 0.748, indicating that competence, performance allowances, and meaningful work explain 74.8% of the variance in employee performance. This value is substantial, suggesting that the model has strong explanatory power for predicting employee performance. In contrast, the R-square value for meaningful work is 0.476, meaning that 47.6% of its variance is explained by competence and performance allowances. This result falls within the moderate category, indicating that while these variables contribute significantly to meaningful work, a considerable proportion of the variance (52.4%) is influenced by factors not included in the model. Overall, these findings suggest that the model is highly effective in explaining employee performance. At the same time, meaningful work remains a more complex construct shaped by additional psychological and organizational factors beyond the current framework (see Table 4).

Figure 2. Full model

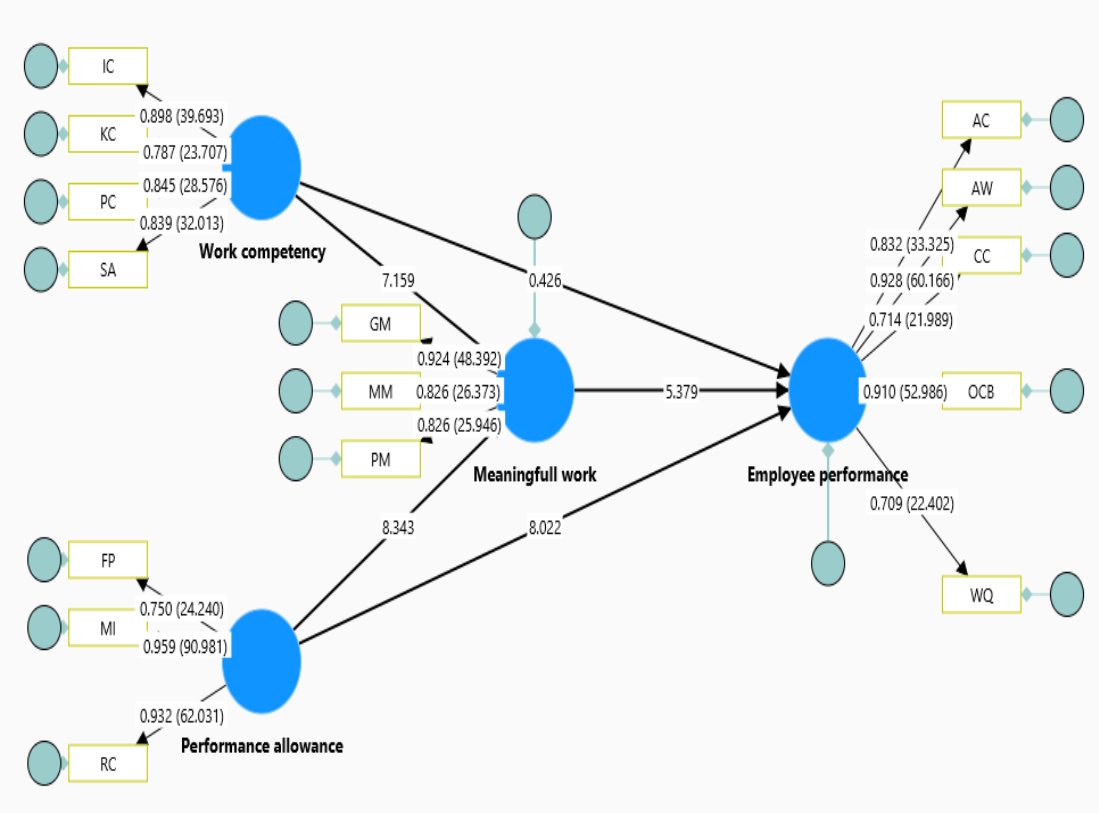


Table 5. Direct effect test

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Meaningful work -> Employee performance	0.405	0.407	0.072	5.647	0.000
Performance allowance -> Employee performance	0.784	0.784	0.033	23.686	0.000
Performance allowance -> Meaningful work	0.501	0.500	0.059	8.455	0.000
Work competency -> Employee performance	0.216	0.212	0.061	3.562	0.000
Work competency -> Meaningful work	0.475	0.469	0.066	7.153	0.000

Based on Table 2 and Figure 2, the results of the structural model analysis indicate that all hypothesized relationships are positive and statistically significant, supporting the proposed theoretical framework. Meaningful work has a significant positive effect on employee performance ($\beta = 0.405$, $t = 5.647$, $p < 0.001$), suggesting that employees who perceive their work as meaningful tend to perform better. Performance allowances exhibit the strongest direct effect on employee performance ($\beta = 0.784$, $t = 23.686$, $p < 0.001$), indicating that financial incentives play a dominant role in shaping performance outcomes. In addition, performance allowances significantly influence perceptions of meaningful work ($\beta = 0.501$, $t = 8.455$, $p < 0.001$), suggesting that fair, performance-based compensation enhances employees' perceptions of work significance. Similarly, work competency has a positive and significant

effect on both employee performance (β = 0.216, t = 3.562, p < 0.001) and meaningful work (β = 0.475, t = 7.153, p < 0.001), indicating that employees with higher competencies are more capable of achieving superior performance and are more likely to perceive their work as meaningful.

These findings are further supported by the structural model results, which confirm that competency and performance allowances significantly influence meaningful work (t = 7.159; t = 8.343) and employee performance (t = 5.379; t = 8.022). Moreover, the measurement model demonstrates strong reliability, as reflected by outer loadings exceeding 0.70, indicating that the constructs are well represented by their indicators. Overall, the results highlight that employee performance is shaped by both direct effects of structural factors (performance allowances) and individual capabilities (competency), as well as indirect effects mediated through meaningful work. This underscores the importance of integrating capability, incentive, and psychological perspectives in explaining employee performance, particularly in the public sector context.

Table 6. Indirect effect test

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Performance allowance -> Meaningful work -> Employee performance	0.203	0.203	0.043	4.761	0.000
Work competency -> Meaningful work -> Employee performance	0.192	0.192	0.046	4.146	0.000

The results of the indirect effects analysis indicate that meaningful work significantly mediates the relationships between performance allowance, work competency, and employee performance. Specifically, performance allowance has a significant indirect effect on employee performance through meaningful work (β = 0.203, t = 4.761, p < 0.001), suggesting that financial incentives not only directly enhance performance but also indirectly improve performance by increasing employees' perception of work meaningfulness. Similarly, work competency demonstrates a significant indirect effect on employee performance via meaningful work (β = 0.192, t = 4.146, p < 0.001), indicating that competent employees tend to perceive their work as more meaningful, which in turn leads to higher performance. These findings confirm the mediating role of meaningful work as a psychological mechanism that translates both structural factors (performance allowances) and individual capabilities (competency) into improved performance outcomes. Moreover, since both direct and indirect effects are significant, the results suggest a partial mediation, highlighting that meaningful work complements rather than replaces the direct influence of competency and performance allowances on employee performance.

4.2 Discussion

This study aims to uncover the underlying mechanisms of individual performance by integrating competence, performance allowances, and meaningful work within a unified framework. The findings of this study extend the broader literature on performance management by demonstrating that employee performance in public organizations is shaped not only by administrative control systems or reward mechanisms, but also by employees' internal psychological experiences. This finding challenges the conventional performance

management perspective that predominantly emphasizes measurable incentives and technical competencies as primary drivers of performance. These results contribute to a more comprehensive understanding of performance formation, particularly in the public sector context.

First, the results confirm that competence has a positive and significant effect on employee performance, supporting the human capital perspective, which emphasizes the importance of knowledge, skills, and abilities in enhancing work outcomes. Employees with greater competence are better able to perform tasks efficiently, adapt to work demands, and solve problems effectively. This finding aligns with prior studies that competence is a critical driver of productivity and organizational effectiveness (Ismail, 2025; Salman et al., 2020a). However, the relatively smaller coefficient compared to performance allowances suggests that competence alone is insufficient to maximize performance without complementary motivational mechanisms.

Second, performance allowances exhibit the strongest direct effect on employee performance, indicating the dominant role of financial incentives in shaping employee behavior. This finding is consistent with the pay-for-performance theory, which posits that individuals are motivated to exert greater effort when rewards are tied to performance outcomes (Alkandi et al., 2023; Gerhart et al., 2026; Nor, 2023). In the public sector, where bureaucratic structures may limit intrinsic motivation, financial incentives serve as powerful external motivators. However, this dominance also raises concerns about potential over-reliance on extrinsic motivation, which may undermine intrinsic motivation if not managed carefully. From the perspective of motivation theory, the study provides evidence that extrinsic motivation in the form of performance allowances becomes more effective when employees psychologically internalize their work as meaningful. This supports and extends self-determination theory, which argues that external rewards do not automatically enhance performance unless they are aligned with intrinsic psychological needs such as purpose, competence, and meaningful contribution.

Moreover, this study contributes to the public sector human resource management literature by highlighting that meaningful work plays a strategic role in bureaucratic settings, where employees often operate under rigid structures and formalized procedures. The findings imply that improving employee performance in public institutions requires not only financial reform and competency development, but also organizational practices capable of strengthening employees' sense of purpose and societal contribution.

Third, this study highlights the crucial role of meaningful work as a psychological driver of performance. The results show that meaningful work significantly affects employee performance, supporting the assumptions of Self-Determination Theory (Deci et al., 2017). Employees who perceive their work as meaningful tend to exhibit higher engagement, commitment, and proactive behavior. This finding reinforces the idea that performance is not solely determined by ability and rewards but also by how employees interpret and internalize their work experiences.

More importantly, the study reveals that meaningful work partially mediates the relationships between competence and performance, as well as between performance allowances and performance. This finding indicates that both competence and financial incentives become more effective when employees psychologically internalize them. In other words, employees do not automatically translate their capabilities or rewards into performance; rather, these factors must first be perceived as meaningful. This mediating mechanism provides a deeper

explanation of how performance is formed and addresses a key gap in the previous literature, which often examines these variables in isolation.

From a theoretical perspective, this study contributes by integrating three major frameworks, human capital theory, pay-for-performance theory, and self-determination theory into a single model. This integrative approach offers a more holistic understanding of employee performance by combining ability-based, incentive-based, and psychological perspectives. It also responds to calls in the literature for more comprehensive models that explain not only what influences performance but also how these influences occur.

From a practical standpoint, the findings suggest that public sector organizations should not rely solely on competency development or financial incentives. Instead, they should adopt a balanced and holistic human resource strategy that includes: (1) continuous competency development programs, (2) fair and transparent performance-based compensation systems, and (3) organizational practices that enhance meaningful work, such as job enrichment, recognition, and alignment of work with social impact.

5. Conclusion and Suggestion

5.1 Conclusion

This study concludes that work competence, performance allowances, and meaningful work play important roles in improving employee performance in the public sector. Work competence significantly improves performance because competent employees are better able to complete tasks, adapt to work demands, and solve problems effectively. Performance allowances have the strongest direct influence on employee performance, showing that fair and performance-based financial incentives can motivate employees to work better. Meaningful work also significantly enhances performance by strengthening employees' motivation, commitment, and sense of responsibility.

Furthermore, meaningful work partially mediates the relationship between work competence and employee performance, as well as between performance allowances and employee performance. This means that competence and financial incentives become more effective when employees perceive their work as meaningful and valuable. Therefore, employee performance should be understood as the result of an integrated relationship between capability, reward systems, and psychological work experience.

5.2 Suggestion

Public sector organizations should improve employee performance through a balanced strategy. First, employee competence needs to be strengthened through continuous training, professional development, mentoring, and capacity-building programs. Second, performance allowance systems should be implemented fairly, transparently, and based on measurable performance indicators. Third, organizations should create meaningful work by emphasizing public service values, recognizing employee contributions, and linking daily tasks to broader social benefits.

6. Limitations and Future Research

This study has several limitations that should be acknowledged. First, the research employed a cross-sectional design, in which data were collected at a single point in time. Therefore, although the findings show significant relationships among work competence, performance allowances, meaningful work, and employee performance, the study cannot fully explain causal relationships or changes in employee behavior over time.

Second, this study was conducted only among civil servants in South Bolaang Mongondow Regency, Indonesia. As a result, the findings may not be fully generalizable to other public sector organizations, regions, or institutional contexts with different administrative systems, organizational cultures, and performance allowance policies.

Third, the study focused on three main predictors of employee performance, namely work competence, performance allowances, and meaningful work. Although the model demonstrated strong explanatory power for employee performance, other important factors relevant to public sector organizations were not included. These factors may include public service motivation, perceived organizational support, leadership style, organizational culture, job engagement, and job satisfaction.

Fourth, the data were collected using self-reported questionnaires. This approach may create the possibility of common method bias, as respondents assessed their own competence, perceptions of allowances, meaningful work, and performance. Future studies may reduce this limitation by using multiple data sources, such as supervisor evaluations, performance records, or qualitative interviews.

Future studies are recommended to extend the research model by incorporating variables that are more closely related to the characteristics of public sector organizations, such as public service motivation, perceived organizational support, leadership style, organizational culture, job engagement, and job satisfaction. Further research in different public institutions or regions is also needed to strengthen the generalizability of the findings.

Statement on Use of AI in Writing

I declare that in the process of compiling this thesis, I used Artificial Intelligence (AI) technology responsibly. AI was used only as an aid to improve grammar, find ideas for the framework, and translate references.

I confirm that the main ideas, data analysis, arguments, and final conclusions in this thesis are my own original work. I take full responsibility for the validity and accuracy of the entire contents of this paper.

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