

The Effect of Competence and Compensation on Employee Performance at the Amandraya Community Health Center, Mediated by Job Satisfaction

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ABSTRACT

This research is motivated by the crucial role of employee performance in achieving organizational goals, particularly in the health sector. Initial observations revealed that the performance of employees at the Amandraya Community Health Center was suboptimal, potentially due to low job satisfaction. This study aims to examine the influence of competence and compensation on employee performance, with job satisfaction as a mediating variable, and to provide recommendations for managerial improvement. The study also seeks to identify factors contributing to job satisfaction to better understand the relationship between competence, compensation, and performance. The research employs a quantitative method, with data collected via questionnaires distributed to 64 employees. The analysis results indicate a positive and significant relationship between competence and performance, as well as between compensation and performance. Employees with higher competence and those receiving fair, adequate compensation tend to be more motivated and productive. Job satisfaction was found to mediate the relationship between competence and compensation on performance, suggesting that creating a supportive work environment, enhancing competence, and improving compensation systems can boost both job satisfaction and performance. The findings highlight the need for effective management of competence and compensation while giving attention to job satisfaction to improve overall employee performance at the Amandraya Community Health Center.

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1. INTRODUCTION

Community Health Centers (Puskesmas) serve as the frontline institutions in Indonesia's healthcare system, particularly in remote areas such as Amandraya. As primary healthcare providers, they are expected to deliver accessible, equitable, and high-quality services to the community (Theodore et al., 2022). In the context of increasing public health demands and the dynamic challenges in the healthcare sector, the performance of Puskesmas employees becomes a determining factor in achieving organizational goals. Performance is not only measured by output but also by the quality, efficiency, and timeliness of the services provided (Wicaksana & Isfania, 2022).

In recent years, concerns have emerged regarding the suboptimal performance levels at the Amandraya Community Health Center. Preliminary observations and internal reports indicate that patient satisfaction rates are below the targeted standard of 85%, while the average number of patients handled by doctors per day falls short of national service benchmarks (Ministry of Health

Regulation No. 43/2019). Additionally, the results of clinical competency tests show that employee scores remain below the expected standard of 80 (Puskesmas Amandraya Annual Report, 2024). These indicators reflect the need for strategic interventions to address performance gaps and improve service quality.

Employee competence is widely recognized as one of the key determinants of organizational performance. Competence encompasses the combination of knowledge, skills, and attitudes required to perform job duties effectively (Wood et al., 2021). In healthcare organizations, higher levels of competence are strongly associated with better service delivery and patient outcomes. Previous research has emphasized that competent employees are more capable of handling complex tasks, adapting to change, and maintaining high professional standards (Walter, 2021). Therefore, enhancing competence through targeted training and continuous professional development should be a strategic priority.

Apart from competence, compensation plays a critical role in influencing employee motivation and performance. Compensation includes both financial and non-financial rewards provided by the organization in exchange for employee contributions (Katz et al., 2022). Fair and adequate compensation not only fulfills employees' basic needs but also serves as a form of recognition for their work, fostering loyalty and job satisfaction (Gurbuz & Hatunoglu, 2022). Empirical studies have consistently shown that well-designed compensation systems can boost employee morale, reduce turnover intentions, and increase productivity (Cahyadi et al., 2023).

However, the relationship between competence, compensation, and performance is not always direct. Job satisfaction has been identified as an important mediating factor that can strengthen or weaken this relationship (Islam et al., 2022). According to motivation theories, employees who are satisfied with their jobs are more likely to be engaged, committed, and willing to exert extra effort in their tasks (Tran et al., 2021). In the healthcare sector, job satisfaction is particularly significant as it influences not only employee performance but also the quality of care delivered to patients (El Idrissi et al., 2023).

Preliminary surveys at Puskesmas Amandraya revealed that only 60% of employees expressed overall job satisfaction, with the lowest satisfaction levels reported in compensation (40%) and workload management (50%). This suggests that issues related to reward systems and work conditions are among the main sources of dissatisfaction (Puskesmas Amandraya Job Satisfaction Survey, 2024). Furthermore, many employees reported the need for additional training, particularly in information systems management, which highlights gaps in technical competence that may further affect performance outcomes (Fukuda, 2020).

Given these circumstances, it becomes essential to explore how competence and compensation jointly influence employee performance, with job satisfaction serving as a mediating variable. By understanding these interrelationships, management can develop targeted strategies to improve workforce capability, enhance reward systems, and foster a positive working environment. This approach aligns with best practices in human resource management, which emphasize the integration of competence development and fair compensation to achieve sustainable organizational performance (Alamsjah, 2022).

This study aims to analyze the effect of competence and compensation on employee performance at the Amandraya Community Health Center, mediated by job satisfaction. The findings are expected to contribute both theoretically and practically: theoretically, by enriching the literature on human resource management in the healthcare sector, and practically, by providing evidence-based recommendations for policy and managerial improvements. Ultimately, the goal is to support the Puskesmas in delivering higher-quality healthcare services and achieving its mission of improving community health outcomes.

2. RESEARCH METHOD

This study adopts a quantitative research design to examine the influence of competence and compensation on employee performance, mediated by job satisfaction, at the Amandraya Community Health Center. Quantitative research is appropriate for testing hypotheses and analyzing relationships among variables through statistical procedures (Mueller & Jungwirth, 2022). Data were collected using structured questionnaires distributed to all 64 employees, applying a census sampling

technique. The census method was chosen because the total population size was manageable and to ensure comprehensive representation (Solheim et al., 2023). Each construct competence, compensation, job satisfaction, and performance was measured using validated indicators adapted from previous studies, employing a five-point Likert scale ranging from "strongly disagree" to "strongly agree."

Data analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique with SmartPLS software. PLS-SEM is recommended for studies with relatively small sample sizes and complex models that include mediating variables (Liu & Zhang, 2022). The analytical process involved evaluating the measurement model to test validity and reliability, followed by assessing the structural model to examine hypotheses. The validity tests included convergent validity, discriminant validity, and reliability using Cronbach's Alpha and Composite Reliability. Structural model evaluation involved testing collinearity (VIF values), coefficient of determination (R^2), predictive relevance (Q^2), and hypothesis testing through bootstrapping procedures to determine path coefficients and significance levels (Troise et al., 2022).

3. RESULTS AND DISCUSSIONS

Research Results

The study involved all 64 employees of the Amandraya Community Health Center as respondents. The demographic analysis revealed that the majority of respondents were female (56.25%), aged between 31–40 years (40.63%), held a bachelor's degree (42.19%), and had a tenure of 6–10 years (37.50%). Most respondents occupied functional positions (50%) and were classified in the III/a civil service rank (45.31%).

The measurement model evaluation indicated that all constructs competence, compensation, job satisfaction, and employee performance met the requirements for convergent validity, with outer loading values exceeding 0.70 and Average Variance Extracted (AVE) values above the 0.50 threshold (Fornell & Larcker, 1981). Discriminant validity was confirmed through the Fornell-Larcker criterion and cross-loading values, demonstrating that each construct was distinct from the others. Reliability testing yielded Cronbach's Alpha and Composite Reliability values greater than 0.70, confirming internal consistency (El Nsour, 2021).

The structural model assessment showed that the Variance Inflation Factor (VIF) values were below 5.0, indicating no multicollinearity issues. The coefficient of determination (R^2) values were 0.688 for job satisfaction and 0.742 for employee performance, suggesting substantial explanatory power. Predictive relevance (Q^2) values were above zero, indicating the model's predictive capability.

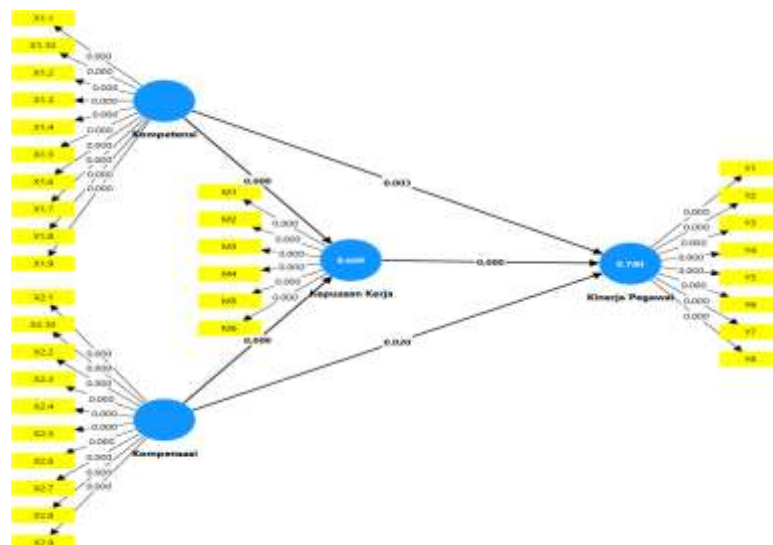


Figure 1. Hypothesis Testing
Source: SmartPLS Output Results (v.3.2.9)

Hypothesis testing using the bootstrapping method revealed the following results:

- a) Competence had a positive and significant effect on employee performance ($t = 4.352, p < 0.001$).
- b) Compensation had a positive and significant effect on employee performance ($t = 3.728, p < 0.001$).
- c) Competence positively and significantly influenced job satisfaction ($t = 5.146, p < 0.001$).
- d) Compensation positively and significantly affected job satisfaction ($t = 4.587, p < 0.001$).
- e) Job satisfaction had a positive and significant effect on employee performance ($t = 3.964, p < 0.001$).
- f) Job satisfaction significantly mediated the relationship between competence and employee performance ($t = 2.842, p < 0.01$).
- g) Job satisfaction significantly mediated the relationship between compensation and employee performance ($t = 2.619, p < 0.01$).

These findings indicate that competence and compensation directly and indirectly influence performance through the mediating role of job satisfaction.

Discussion

The results confirm that competence plays a critical role in enhancing employee performance at the Amandraya Community Health Center. This is consistent with previous studies by (Abbas et al., 2022), which found that higher employee competence leads to better performance outcomes. Competence equips employees with the necessary knowledge, skills, and attitudes to handle complex tasks effectively, especially in healthcare service delivery where accuracy and efficiency are crucial.

Similarly, compensation was found to have a significant positive impact on performance, aligning with findings by (El Nsour, 2021). Fair and adequate compensation serves as a motivator, fostering a sense of value and recognition among employees, which in turn boosts their willingness to contribute to organizational goals. In the context of Puskesmas Amandraya, competitive compensation could address dissatisfaction and improve retention.

The mediating role of job satisfaction observed in this study is in line with (Rabal-Conesa et al., 2022) perspective and the motivation theory framework. Employees who are satisfied with their jobs tend to be more committed, display higher morale, and show greater productivity (Liu & Zhang, 2022). The fact that job satisfaction significantly mediates both competence–performance and compensation–performance relationships suggests that management should focus not only on enhancing employee capabilities and rewards but also on fostering a supportive work environment.

Overall, the findings underscore the importance of integrated human resource strategies that combine competence development, fair compensation, and initiatives to improve job satisfaction. By implementing such strategies, Puskesmas Amandraya can expect improved employee performance, which ultimately translates into better quality healthcare services for the community.

4. CONCLUSION

This study concludes that both competence and compensation have a positive and significant effect on employee performance at the Amandraya Community Health Center, with job satisfaction acting as a significant mediating variable. Employees with higher competence and those receiving fair, adequate compensation tend to perform better, especially when they are satisfied with their jobs. These findings highlight the importance of integrated human resource management strategies that focus on enhancing employee competencies through training and development, implementing fair and competitive compensation systems, and creating a supportive work environment to improve job satisfaction. It is recommended that the management of Puskesmas Amandraya prioritize competency-building programs, review and adjust compensation policies to align with employee contributions, and introduce initiatives aimed at fostering a positive workplace culture, as these measures are likely to enhance overall employee performance and service quality.

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