

A Study on Optimizing Civil Servant Performance: The Role of Employee Engagement and the Merit System through Competency Development at the National Unity and Political Agency of North Kalimantan Province

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Abstract

This study aims to analyze the influence of Employee Engagement and the Merit System on improving the performance of Civil Servants (ASN), with Competency Development as a mediating variable, at the National Unity and Political Agency in North Kalimantan Province. The research employs a quantitative approach using Partial Least Square-Structural Equation Modeling (PLS-SEM) for analysis. Data were collected through questionnaires distributed to 60 respondents selected using purposive sampling. The findings indicate that employee engagement and the merit system do not have a direct significant impact on improving ASN performance. However, both variables exert an indirect significant influence through competency development. Competency development itself has a direct and significant effect on performance improvement, making it a key factor in enhancing the capacity and productivity of civil servants. Employee engagement positively contributes to competency development, indicating that employee involvement plays a crucial role in encouraging active participation in training and development programs. Additionally, the merit system also positively affects competency development, suggesting that implementing a fair and performance-based system can motivate employees to enhance their skills.

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1. Introduction

Performance in the public sector is one of the key indicators reflecting the effectiveness, efficiency, and quality of services provided to the community. The government, as the administrator of the state, has a significant responsibility to ensure that every unit and individual within the administrative structure operates optimally to support the achievement of development goals and public welfare. Civil Servants (ASN) play a strategic role as the backbone of government administration, with the primary duty of designing, implementing, and evaluating public policies aimed at improving the quality of life for society. This encompasses various sectors, including education, health, infrastructure, security, and general administration.

High-performing civil servants are crucial in supporting the stability of economic and social development. Economically, they create the administrative stability necessary to attract investment and drive growth through the implementation of effective policies (Yulianti & Annisa, 2024). Socially, optimally performing civil servants positively impact the improvement of public quality of life through better services across various sectors, including education and health (Pratiwi, 2022).

The performance of civil servants also serves as a crucial indicator of good governance. A government capable of managing civil servants professionally demonstrates a commitment to the principles of transparency, accountability, and efficiency (Morgan in Karunia, 2019). Civil servants with high integrity not only enhance public trust in the government but also strengthen the legitimacy of public institutions (Denhardt & Denhardt, 2000). Thus, efforts to improve civil servant performance constitute a strategic step toward realizing effective governance and sustainable development (Amahoru & Prabowo, 2013).

One factor that can enhance civil servant performance is employee engagement. This concept refers to the level of commitment, involvement, and motivation of individuals toward their work and organization (Kahn, 1990). Employees with high engagement levels tend to be more productive, innovative, and significantly contribute to achieving organizational goals (Bahri et al., 2016). Additionally, employees' emotional involvement with organizational values and vision plays a role in increasing job satisfaction and motivation (Anugraainsa, 2022).

The merit system is a human resource management approach that evaluates and rewards employees based on performance, competence, and achievements. Under this system, employees who meet or exceed performance standards receive fair and transparent rewards, such as promotions or bonuses (Gibbons & Kleiner, 1994). An effective merit system can enhance employee motivation and productivity while maintaining high competence levels within the organization.

Competency development is another critical factor contributing to civil servant performance. This process aims to improve employees' knowledge, skills, and attitudes to enable them to perform their duties more effectively (Rothwell & Kazanas, 2008). Competent civil servants can tackle complex challenges and maximize their contributions to organizational goals, including responsiveness to changes in the work environment and community needs.

If effectively integrated, these three factors—employee engagement, the merit system, and competency development—can significantly impact improving civil servant performance. According to data from the National Civil Service Agency (BKN), approximately 35% of civil servants exhibit low performance and are categorized as "deadwood," whereas only 19.82% are classified as high-competency star employees (Kompas.com, 2022). This highlights the challenges in civil servant management, particularly in ensuring that all employees possess the appropriate levels of engagement, recognition, and competence to support public service quality.

As a key institution in North Kalimantan Province, the National Unity and Political Agency (Kesbangpol) plays a strategic role in coordinating various political and social policies at the regional level. Within five years of the province's establishment in 2013, Kesbangpol has achieved several performance targets. However, several challenges remain, such as low civil servant discipline, competency gaps, and an aging workforce dominance over younger, more potential employees. This indicates the need for more targeted efforts to enhance civil servant performance within Kesbangpol.

This study aims to examine in-depth how employee engagement, the merit system, and competency development influence civil servant performance at the Kesbangpol of North

Kalimantan Province. Additionally, this study will explore the role of competency development as a mediating variable between employee engagement, the merit system, and civil servant performance. Previous studies have shown significant discrepancies in findings, with some studies establishing a positive relationship between these variables, while others do not. Therefore, this research is expected to contribute both theoretically and practically to addressing civil servant performance issues while enriching the academic literature in the field of human resource management in the public sector.

2. Literatur Review

2.1. Human Capital (Modal Manusia)

Classical traditional economics views labor as a homogeneous input with limited knowledge and skills. This perspective changed significantly after T.W. Schultz (1960) introduced the concept of human capital, which considers humans as productive assets encompassing abilities, knowledge, skills, and individual qualifications. Human capital can be enhanced through education, training, and experience, making it a crucial element in organizational success. Schultz emphasized that skill and knowledge development yield significant results in productivity and economic growth.

Becker (1964) further added that investment in human capital—such as education, training, and health—is a key factor in improving individual and organizational productivity. Human capital also includes dynamic aspects that enable individuals to exploit the potential of organizations optimally (Zhao, 2008).

2.2. Employee Engagement

The concept of employee engagement was first introduced by Kahn (1990), who defined engagement as the utilization of an individual's self in their work role physically, cognitively, and emotionally. Employees with high levels of engagement typically demonstrate commitment, enthusiasm, and concern for the organization. They actively participate in their work, exceed expectations, and exhibit an emotional connection to the organization's mission (Wulandari, 2021).

Bakker et al. (2008) identified three key aspects of employee engagement: vigor (energy and mental resilience), dedication (a sense of meaning and enthusiasm), and absorption (full concentration on work). Research has shown that engaged employees have higher productivity, work quality, and customer satisfaction (Harter et al., 2002).

2.3. Merit System

The merit system is a human resource management approach that rewards individuals based on their performance, competence, and tangible contributions. This system ensures that promotion and reward decisions are based on objective criteria, fostering fairness and transparency (Milkovich et al., 2014). According to Chairiah et al. (2020), the indicators of a merit system include transparency in evaluation criteria, integration of achievements and competencies, and openness to feedback. The merit system encourages employees to enhance their performance and competencies.

2.4. Competency Development

Competency development is the process of enhancing an individual's skills, knowledge, and attitudes to improve work effectiveness. According to Spencer and Spencer (1993), competencies encompass fundamental individual characteristics linked to superior performance. Human capital theory (Becker, 1964) asserts that investments in training and education lead to increased productivity and performance. Additionally, the competency-based theory by Prahalad & Hamel (2006) highlights the importance of core competencies as a source of organizational competitive advantage.

Competency development strategies include training needs analysis, mentoring, job rotation, and continuous evaluation (Noe, 2017). Competency development not only enhances individual capabilities but also improves overall organizational effectiveness.

2.5. Performance

Performance refers to the achievement of work results that align with organizational standards. According to Mangkunegara (2015), performance includes quality, quantity, timeliness, and effectiveness in task completion. Factors influencing performance include effectiveness and efficiency, authority and responsibility, discipline, and initiative (Gultom, 2014). Performance evaluation is used to motivate employees, provide rewards, and create accountability (Mahmudi, 2015).

3. Method

3.1. Research Design

This study employs a quantitative method with a survey approach. The quantitative method enables objective measurement of variables through numerical data, which is then analyzed using statistical techniques. The survey approach is used to collect primary data directly from respondents through structured questionnaires designed to measure the variables of interest. The results of this approach can be generalized if the sample used is sufficiently large and representative (Sugiyono, 2016).

3.2. Object, Location, and Time of Research

The research subjects are Civil Servants (ASN) at the North Kalimantan Provincial Agency for National Unity and Politics. The study is conducted at the central office and branch offices in Tarakan City, Bulungan Regency, Malinau Regency, Nunukan Regency, and Tana Tidung Regency. The research is planned to take place starting in June 2024.

3.3. Population and Sample

The population in this study consists of all ASN in the Agency for National Unity and Politics of North Kalimantan Province. The population is considered homogeneous, as individuals share similar characteristics.

The sample is selected using purposive sampling. The criteria for sample selection include:

- 1) Active ASN with permanent employee status.
- 2) A minimum tenure of two years.
- 3) Holding structural, functional, or operational staff positions.
- 4) Experience with the implementation of a merit-based system.
- 5) A minimum education level of high school (SMA/SMK).
- 6) Serving at the central office or regional branches.

A total of 10 ASNs are sampled from each city and district, resulting in a total sample of 50 respondents.

3.4. Data Collection Techniques

Data is collected using structured questionnaires adopting a Likert scale to measure research variables. The Likert scale ranges from strongly agree (score 5) to strongly disagree (score 1). The instrument is designed to assess the level of engagement, perception, and contribution of ASN regarding the studied variables.

3.5. Data Analysis Techniques

This study employs path analysis supported by SmartPLS software. This technique is chosen for its capability to handle complex models without requiring stringent distribution assumptions. The analysis steps include:

- 1) **Measurement Model (Outer Model):**
 - a. Convergent Validity: Validity is assessed by ensuring that the loading factor > 0.7 .
 - b. Discriminant Validity: Compares the square root of average variance extracted (AVE) with inter-construct correlations.
 - c. Composite Reliability: Reliability is assessed by ensuring that composite reliability > 0.7 .
- 2) **Structural Model (Inner Model):**

- a. Calculating R-square to assess the predictive strength of the model.
- b. Using Q-square to evaluate the model's predictive relevance.
- c. Hypothesis Testing: Hypothesis testing is conducted by examining the t-statistic and p-value.
A hypothesis is accepted if the t-statistic > 1.987 and the p-value < 0.05.

3) Mediation Analysis

Mediation analysis employs the Variance Accounted For (VAF) method to measure the direct and indirect effects of mediating variables. Mediation categories based on VAF are:

- a. Full mediation (> 80%).
- b. Partial mediation (20%-80%).
- c. No mediation (< 20%).

4. Result and Discussion

4.1. Data Analysis Results

4.1.1. Outer Model Analysis

A concept and research model cannot be tested in a predictive model of relational and causal relationships if it has not undergone the purification stage in the measurement model. The measurement model (outer model) is used to test the construct validity and reliability of the instrument. The following tests were conducted on the outer model:

1) Convergent Validity

Table 1. Nilai Loading Factor

Numb.	Indikator	Nilai	Information
1	X1_1	0,624	Valid
2	X1_2	0,670	Valid
3	X1_3	0,715	Valid
4	X1_4	0,771	Valid
5	X1_5	0,852	Valid
6	X1_6	0,851	Valid
7	X2_1	0,835	Valid
8	X2_2	0,822	Valid
9	X2_3	0,832	Valid
10	X2_4	0,924	Valid
11	X2_5	0,881	Valid
12	Y_1	0,852	Valid
13	Y_2	0,873	Valid
14	Y_3	0,880	Valid
15	Y_4	0,830	Valid
16	Y_5	0,798	Valid
17	Z_1	0,839	Valid
18	Z_2	0,881	Valid
19	Z_3	0,904	Valid
20	Z_4	0,883	Valid
21	Z_5	0,668	Valid

Based on the data in Table 4.10, all indicators of the variables have loading factor values that meet the validity criteria, which are above the minimum threshold of 0.50. With guaranteed validity, these results provide a strong foundation for proceeding with further structural analysis in this study. The validity of all indicators indicates that the research instrument can be relied upon to represent the variables being studied in a representative manner.

2) Discriminant Validity

Table 2. Validitas Diskriminan (Kriteria Fornell-Larcker)

Variable	Employee engagement (X1)	Competency Development (Z)	Peningkatan Kinerja (Y)	Merit System (X2)
Employee engagement (X1)	0,752			
Pengembangan Kompetensi (Z)	0,770	0,839		
Peningkatan Kinerja (Y)	0,542	0,754	0,847	
Sistem Merit (X2)	0,750	0,761	0,485	0,860

Based on Table 2, the square root of the Average Variance Extracted (AVE) for each variable is greater than the correlation with other variables, indicating good discriminant validity. This means that each variable is better able to explain itself compared to other variables. These findings suggest that the research instrument can measure the intended construct without significant overlap, thus ensuring that discriminant validity in the research model is well fulfilled.

3) Composite Reliability

Table 3. Construction Reliability

Variabel	Cronbach's Alpha	Reliabilitas Komposit
Employee engagement (X1)	0,844	0,885
Pengembangan Kompetensi (Z)	0,892	0,922
Peningkatan Kinerja (Y)	0,901	0,927
Sistem Merit (X2)	0,911	0,934

Based on Table 3, the construct reliability results show that all variables have Cronbach's Alpha and Composite Reliability values above the threshold of 0.70. This indicates high internal consistency, meaning the research instrument can be considered reliable. With adequate construct reliability, the obtained data can be trusted for further analysis, supporting the validity of the research findings.

4) Asumption Multikolinearitas

Table 4. Collinearity Statistic Value (VIF)

Numb.	Indikator	Nilai VIF
1	X1_1	1,443
2	X1_2	1,791
3	X1_3	1,941
4	X1_4	2,855
5	X1_5	5,536
6	X1_6	5,536
7	X2_1	2,142
8	X2_2	2,191
9	X2_3	2,703
10	X2_4	5,062
11	X2_5	3,346
12	Y_1	2,448
13	Y_2	2,746
14	Y_3	2,883
15	Y_4	2,354
16	Y_5	2,033
17	Z_1	2,477
18	Z_2	3,053
19	Z_3	3,562
20	Z_4	2,925

Numb.	Indikator	Nilai VIF
21	Z_5	1,420

Based on Table 4, the Collinearity Statistic (VIF) values indicate no significant multicollinearity issues among the indicators in the model. These results suggest that the overall research model is free from serious multicollinearity problems, thereby supporting the feasibility of the model for further analysis.

4.1.2. Hasil Uji Godness Of Fit

Goodness-of-fit in partial least squares (PLS) analysis can be evaluated using various metrics, one of which is **Q² (Q-squared) predictive relevance**. Q² predictive relevance is a test conducted to determine how well the observed values are predicted. The Q² value can be calculated using the following equation:

$$Q\text{-Square} = 1 [(1 - R^2_1) (1 - R^2_2)]$$

Dimana :

R²₁ = Nilai R-Square Pengembangan Kompetensi

R²₂ = Nilai R-Square Peningkatan Kinerja

Sehingga diperoleh nilai perhitungan:

$$\begin{aligned}
 Q\text{-Square} &= 1 - [(1 - R^2_1) \times (1 - R^2_2)] \\
 &= 1 - [(1 - 0,670) \times (1 - 0,587)] \\
 &= 1 - (0,33 \times 0,413) \\
 &= 1 - 0,136 \\
 &= 0,864
 \end{aligned}$$

Based on the above calculation, the Q² value of 0.864 indicates good predictive capability, where the model explains approximately 86.4% of the variation in the data, while the remaining 13.6% represents unexplained variation. This value suggests that the model is sufficiently robust in explaining the relationships between variables, particularly between the independent and dependent variables, making it valid for further analysis. Hasil Uji Inner Model

The inner model is a structural model used to predict causal relationships (cause-and-effect relationships) between latent variables or variables that cannot be directly measured. The results of the path analysis in the inner model can be seen in the following diagram:

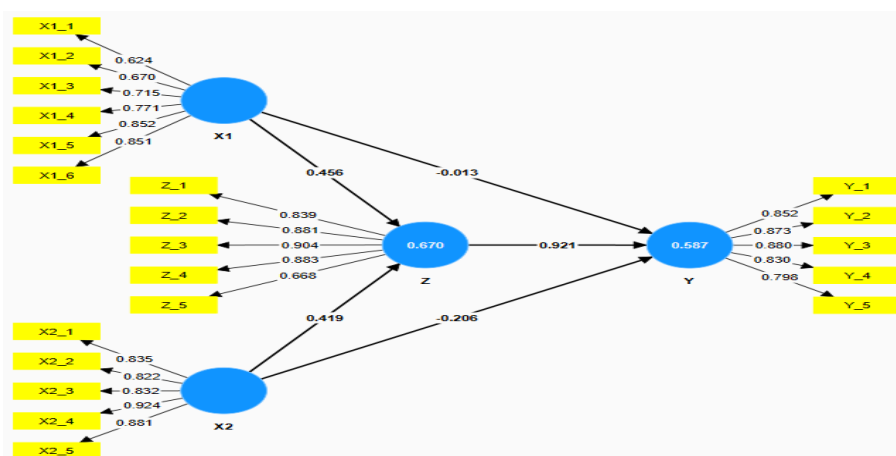


Figure 1. Diagram Jalur Inner Model

The stages of inner model analysis in this study are as follows:

1) Direct Effects

Table 5. Path Coefficients

Variabel	Pengembangan Kompetensi (Z)	Peningkatan Kinerja (Y)
Employee Engagement (X1)	0,456	-0,013
Sistem Merit (X2)	0,419	-0,206
Pengembangan Kompetensi (Z)		0,921

Based on Table 5 on Path Coefficients, the relationships between variables in the research model can be interpreted as follows:

- Employee Engagement (X1) → Competency Development (Z)**
Employee engagement has a positive effect on competency development, with a path coefficient of **0.456**. This indicates that higher employee engagement leads to more active participation in skill and knowledge enhancement through competency development programs.
- Employee Engagement (X1) → Performance Improvement (Y)**
The path coefficient of **-0.013** indicates a very weak negative relationship, suggesting that employee engagement does not have a significant direct impact on performance improvement. This may imply that employee engagement is more effective in enhancing performance through mediation, such as competency development.
- Merit System (X2) → Competency Development (Z)**
The merit system positively influences competency development, with a path coefficient of **0.419**. A well-implemented merit system encourages employees to participate in training or development programs as part of their performance evaluation.
- Merit System (X2) → Performance Improvement (Y)**
The negative relationship, with a path coefficient of **-0.206**, suggests that the merit system does not directly enhance performance. Potential barriers in the implementation of the merit system may reduce its effectiveness in improving employee performance.
- Competency Development (Z) → Performance Improvement (Y)**
Competency development has a very strong positive influence on performance improvement, with a path coefficient of **0.921**. This indicates that competency development is a key factor contributing to increased effectiveness, efficiency, and productivity of employees.

2) Indirect Effects

Table 6. Specific Indirect Effect

Hubungan Variabel	<i>Specific Indirect Effect</i>
Employee engagement (X1) -> Pengembangan Kompetensi (Z) -> Peningkatan Kinerja (Y)	0,420
Sistem Merit (X2) -> Pengembangan Kompetensi (Z) -> Peningkatan Kinerja (Y)	0,386

Based on Table 6 on **Specific Indirect Effects**, the relationships between variables through the mediation of competency development can be interpreted as follows:

- Employee Engagement (X1) → Competency Development (Z) → Performance Improvement (Y)**
The indirect effect value of **0.420** indicates that competency development significantly and positively mediates the relationship between employee engagement and performance improvement. This means that high employee engagement encourages participation in competency development, which ultimately enhances performance. Thus, competency development serves as the primary mechanism linking employee engagement to performance improvement.
- Merit System (X2) → Competency Development (Z) → Performance Improvement (Y)**

The indirect effect value of **0.386** suggests that competency development also significantly and positively mediates the relationship between the merit system and performance improvement. This indicates that a well-implemented merit system fosters employee competency development, which in turn contributes to improved performance. In other words, the merit system functions as a framework that supports employee learning and development to enhance performance through competency development.

3) Total Effects

Table 7. Total Effect

Variabel	Peningkatan Kinerja (Y)
Employee engagement (X1)	0,407
Sistem Merit (X2)	0,180

Based on Table 7, the **Total Effects** analysis illustrates the overall impact (a combination of direct and indirect effects) of exogenous variables on endogenous variables in this study. The results can be explained as follows:

a. **Employee Engagement (X1) → Performance Improvement (Y)**

Employee engagement has a total effect of **0.407**, indicating a significant positive influence on performance improvement. This effect includes both direct and indirect effects through competency development as a mediating variable. These findings confirm that employee engagement, whether directly or through enhanced competencies, contributes to improved performance.

b. **Merit System (X2) → Performance Improvement (Y)**

The merit system has a total effect of **0.180**, also showing a positive influence, although smaller compared to employee engagement. This total effect reflects both direct and indirect effects through competency development. These results suggest that while the merit system contributes to performance improvement, its effectiveness largely depends on how well it supports employee competency development.

4) F Square

Table 8. Nilai F Square

Variabel	Pengembangan Kompetensi (Z)	Peningkatan Kinerja (Y)
Employee engagement (X1)	0,276	0,000
Sistem Merit (X2)	0,233	0,037
Pengembangan Kompetensi (Z)		0,678

Based on Table 8 regarding the F Square values, the analysis of the contribution of the independent variables' effects on the mediation and dependent variables in the research model can be explained as follows:

a. **The Effect of Employee Engagement (X1) on Competency Development (Z)**

An F Square value of 0.276 indicates that employee engagement has a moderate effect on competency development. This suggests that employee involvement is an essential factor in influencing employees' competency development levels.

b. **The Effect of Employee Engagement (X1) on Performance Improvement (Y)**

An F Square value of 0.000 indicates that employee engagement does not have a significant direct effect on performance improvement. This result suggests that the impact of employee engagement on performance is more effective through mediation pathways, such as competency development.

c. **The Effect of the Merit System (X2) on Competency Development (Z)**

An F Square value of 0.233 indicates that the merit system also has a moderate effect on competency development. The merit system plays an important role in encouraging employee competency development through the implementation of fair and merit-based performance evaluations.

d. **The Effect of the Merit System (X2) on Performance Improvement (Y)**

An F Square value of 0.037 indicates that the merit system has a small contribution to direct performance improvement. This suggests that the merit system is more effective when linked to competency development as a mediation pathway.

e. **The Effect of Competency Development (Z) on Performance Improvement (Y)**

An F Square value of 0.678 indicates that competency development has a very strong contribution to performance improvement. This result confirms that competency development is a key factor that significantly influences employee performance improvement.

5) R Square

Tabel 9. Nilai R Square

Variabel	R Square	Adjusted R Square
Pengembangan Kompetensi (Z)	0,670	0,659
Peningkatan Kinerja (Y)	0,587	0,565

Based on Table 9 regarding the R Square values, it can be interpreted that the research model has a good ability to explain the variability of the dependent variables. The explanation is as follows:

a. **Competency Development Variable (Z)**

The R Square value for the competency development variable (Z) is 0.670, indicating that 67% of the variation in competency development can be explained by employee engagement (X1) and the merit system (X2), while the remaining 33% is influenced by other factors outside the model. The Adjusted R Square value of 0.659 confirms that the model remains robust after adjustment.

b. **Performance Improvement Variable (Y)**

For the performance improvement variable (Y), the R Square value of 0.587 indicates that 58.7% of the variation in performance improvement can be explained by competency development (Z), employee engagement (X1), and the merit system (X2), while the remaining variation is influenced by other factors. The Adjusted R Square value of 0.565 suggests that the model maintains a good explanatory level after adjustment.

4.1.3. Hypothesis Testing

In path analysis, after analyzing the outer model and inner model, the next step is hypothesis testing. In this study, hypothesis testing is used to explain the significance of the influence between exogenous independent variables and endogenous dependent variables. To determine the significance level of the correlation results between constructs, the bootstrapping test procedure will be conducted.

Bootstrapping is a process used to assess the significance level or probability of both direct effects and indirect effects. The results of the bootstrapping test can be observed in the following diagram:

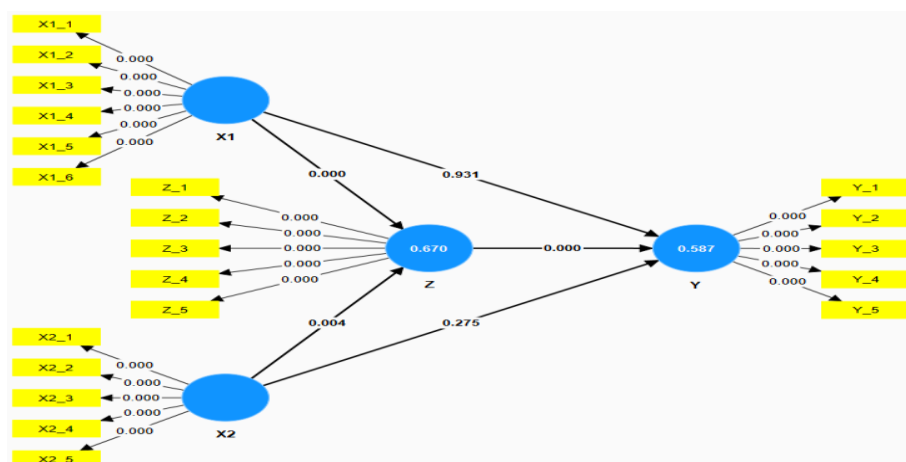


Figure 2. Diagram Jalur Bootstrapping

Based on the results of hypothesis testing using the bootstrapping procedure, the next step is to compare the obtained t-statistic with the predetermined threshold. The t-statistic generated from the bootstrapping test must be greater than the critical t-value of 1.987 or have a p-value below 0.05 (Hair et al., 2017).

1) Bootstrapping Direct Effects

Tabel 10. Bootstrapping Direct Effects

Hubungan Antar Variabel	Standar Deviasi (STDEV)	T Statistik (O/STDEV)	P Values
Employee engagement (X1) -> Peningkatan Kinerja (Y)	0,153	0,087	0,931
Sistem Merit (X2) -> Peningkatan Kinerja (Y)	0,189	1,093	0,275
Pengembangan Kompetensi (Z) -> Peningkatan Kinerja (Y)	0,152	6,055	0,000
Employee engagement (X1) -> Pengembangan Kompetensi (Z)	0,130	3,517	0,000
Sistem Merit (X2) -> Pengembangan Kompetensi (Z)	0,145	2,889	0,004

Based on Table 10, regarding the results of Bootstrapping Direct Effects, the interpretation is as follows:

- The Effect of Employee Engagement (X1) on Performance Improvement (Y)**
The T-Statistic value of 0.087 with a P-Value of 0.931 indicates that the direct effect of employee engagement on performance improvement is not significant. This suggests that employee engagement does not directly influence performance improvement.
- The Effect of the Merit System (X2) on Performance Improvement (Y)**
The T-Statistic value of 1.093 with a P-Value of 0.275 indicates that the direct effect of the merit system on performance improvement is also not significant. This result shows that the merit system does not have a direct effect on performance.
- The Effect of Competency Development (Z) on Performance Improvement (Y)**
The T-Statistic value of 6.055 with a P-Value of 0.000 indicates that the direct effect of competency development on performance improvement is statistically significant. This finding suggests that competency development plays a crucial and significant role in enhancing employee performance.
- The Effect of Employee Engagement (X1) on Competency Development (Z)**
The T-Statistic value of 3.517 with a P-Value of 0.000 indicates that employee engagement has a significant direct effect on competency development. This suggests that employee engagement can significantly drive competency development, which in turn can enhance their performance.
- The Effect of the Merit System (X2) on Competency Development (Z)**
The T-Statistic value of 2.889 with a P-Value of 0.004 indicates that the merit system has a significant direct effect on competency development. The effective implementation of the merit system encourages employees to engage in the development of their skills and knowledge.

2) Bootstrapping Indirect Effects

Table 11. Bootstrapping Indirect Effects

Hubungan Antar Variabel	Standar Deviasi (STDEV)	T Statistik (O/STDEV)	P Values
Employee engagement (X1) -> Pengembangan Kompetensi (Z) -> Peningkatan Kinerja (Y)	0,138	3,033	0,002
Sistem Merit (X2) -> Pengembangan Kompetensi (Z) -> Peningkatan Kinerja (Y)	0,139	2,787	0,005

Based on Table 11, regarding the results of Bootstrapping Indirect Effects, the interpretation of the indirect relationships between variables in the research model can be explained as follows:

a. **The Effect of Employee Engagement (X1) on Performance Improvement (Y) through Competency Development (Z)**

The T-Statistic value of 3.033 with a P-Value of 0.002 indicates that the indirect effect of employee engagement on performance improvement through competency development is statistically significant. This suggests that employee engagement effectively enhances employee performance through competency development. In other words, competency development plays a crucial mediating role in the relationship between employee engagement and performance improvement.

b. **The Effect of the Merit System (X2) on Performance Improvement (Y) through Competency Development (Z)**

The T-Statistic value of 2.787 with a P-Value of 0.005 indicates that the indirect effect of the merit system on performance improvement through competency development is also statistically significant. This suggests that the proper implementation of a merit system can enhance employee performance indirectly by encouraging their competency development.

3) Mediation Analysis Using VAF

In this study, the **Variance Accounted For (VAF)** method is used to evaluate the mediating role in the relationship model between the independent variable, the mediating variable, and the dependent variable. This method calculates the proportion of the total effect explained by the indirect path through the mediating variable. If the VAF value is greater than 80%, it indicates a **full mediation** role. If the VAF value ranges between 20% and 80%, it is categorized as **partial mediation**. However, if the VAF value is less than 20%, it can be concluded that there is almost no mediation effect. To calculate VAF, the following formula (Hair et al., 2014) can be used:

$$VAF = \frac{\text{Indirect Influence}}{\text{Direct Influence} + \text{Indirect Influence}} \times 100\%$$

a. Mediation test with VAF 1

Direct Effect: The direct path coefficient from Employee Engagement (X1) to Performance Improvement (Y) = -0.013.

Indirect Effect: The indirect path coefficient from Employee Engagement (X1) to Performance Improvement (Y) through Competency Development (Z) is obtained using the formula:

Indirect Effect = (Coefficient X1 → Z) × (Coefficient Z → Y)

Table 12. Mediation test Calculation VAF 1

Direct Influence	(c)		= -0.013
Indirect Influence	(a*b)	(0.456 × 0.921)	= 0.420
Total Influence			0,407

$$VAF = \frac{0.420}{-0.013 + 0.420} \times 100\%$$

$$VAF = \frac{0.420}{0.407} \times 100\%$$

$$VAF = 103.19\%$$

Based on the calculation results, the VAF (Variance Accounted For) value is 103.19%, indicating that the effect of Employee Engagement on Performance Improvement occurs entirely through the mediation of Competency Development. This suggests the presence of full mediation in this relationship.

b. Mediation test with VAF 2

Direct Effect: The direct path coefficient from the Merit System (X2) to Performance Improvement (Y) = -0.206.

Indirect Effect: The indirect path coefficient from the Merit System (X2) to Performance Improvement (Y) through Competency Development (Z) is obtained using the formula: Indirect Effect = (Coefficient X2 -> Z) × (Coefficient Z -> Y).

Table 13. Perhitungan Uji Mediasi VAF 2

Pengaruh Langsung	(c)		= -0.206
Pengaruh Tidak Langsung	(a*b)	(0.419 × 0.921)	= 0.386
Pengaruh Total			0,180

$$VAF = \frac{0.386}{-0.206 + 0.386} \times 100\%$$
$$VAF = \frac{0.386}{0.180} \times 100\%$$
$$VAF = 214.44\%$$

Based on the calculation results, the VAF (Variance Accounted For) value is 214.44%, indicating that the effect of the Merit System on Performance Improvement occurs entirely through the mediation of Competency Development. This suggests the presence of full mediation in this relationship.

4.2. Discussion

4.2.1. The Influence of Employee Engagement on Performance Improvement

Data indicates a relationship between promotion and customer loyalty, with R = 0.817 and R² = 0.667, meaning that 66.7% of loyalty is influenced by promotion. Partial testing shows that promotion significantly affects loyalty, with a t-value of 8.221 (p < 0.05). This result aligns with previous studies stating that effective promotion enhances customer loyalty (Kotler & Keller, 2016). Attractive promotions create positive experiences, increase purchase interest, and encourage repeat purchases.

4.2.2. The Influence of the Merit System on Performance Improvement

The study results show that the direct effect of the Merit System on the performance improvement of Civil Servants (ASN) at the National Unity and Political Agency across North Kalimantan Province is not significant, with a T-Statistic value of 1.093 and a P-Value of 0.275. This finding indicates that the implementation of the merit system has not directly improved performance, even though it remains a foundation for fair and objective human resource management. The insignificance may be due to suboptimal implementation or the absence of additional mechanisms such as competency development. Adams, as cited in Aisyah et al. (2024), states that employees are more motivated when rewards and promotions are conducted fairly, but in this study, the merit system has not directly impacted performance. This aligns with the perspective of Buana and Supartha (2023) in Goal Setting Theory, which emphasizes the need for clear goals and development support to drive optimal performance.

4.2.3. The Influence of Competency Development on Performance Improvement

The study results show that Competency Development has a direct and significant effect on the performance improvement of Civil Servants (ASN) at the National Unity and Political Agency in North Kalimantan Province, with a T-Statistic value of 6.055 and a P-Value of 0.000. This confirms that training, mentoring, and technology adoption play a crucial role in improving ASN work effectiveness. The findings support the hypothesis that competency development positively contributes to performance improvement, consistent with Human Capital Theory by Becker in Wulandari (2021), which states that investment in education and training enhances employee productivity. Additionally, Spencer and Spencer's Competency Model in Wulandari (2021) affirms that training and hands-on work experience improve performance quality.

4.2.4. The Influence of Employee Engagement on Competency Development

The study results show that Employee Engagement has a direct and significant effect on Competency Development of Civil Servants (ASN) at the National Unity and Political Agency in North Kalimantan Province, with a T-Statistic value of 3.517 and a P-Value of 0.000. This finding confirms that employee involvement, such as commitment, enthusiasm, and active participation at work, contributes to competency improvement through training and other development programs. Engaged employees are more motivated to seek learning opportunities and adopt new innovations, so organizations that enhance employee engagement can also improve human resource capacity. This aligns with Self-Determination Theory in Salsabila and Budiman (2023), which states that employee engagement increases intrinsic motivation for self-development.

4.2.5. The Influence of the Merit System on Competency Development

The study results indicate that the Merit System has a significant direct effect on Competency Development of Civil Servants (ASN) at the National Unity and Political Agency in North Kalimantan Province, with a T-Statistic value of 2.889 and a P-Value of 0.004. The implementation of the merit system, which includes transparent performance assessment, fair reward allocation, and clear career opportunities, encourages employees to actively participate in competency development programs. A well-implemented merit system motivates ASN to attend training programs to meet organizational standards and enhance their skills. These findings align with Human Capital Theory by Becker in Wulandari (2022), which states that investment in training results from a fair and objective merit-based policy.

4.2.6. The Indirect Effect of Employee Engagement on Performance Improvement through Competency Development

The study results indicate that Employee Engagement has a significant indirect effect on Performance Improvement through Competency Development, with a T-Statistic value of 3.033 and a P-Value of 0.002. This finding suggests that competency development acts as a mediating variable that strengthens the relationship between employee engagement and performance improvement. High employee engagement does not directly enhance performance but has a significant impact when mediated by competency enhancement. This confirms that employee engagement programs should focus on skill and knowledge development to support optimal performance achievement.

4.2.7. The Indirect Effect of the Merit System on Performance Improvement through Competency Development

The study results indicate that the Merit System has a significant indirect effect on Performance Improvement through Competency Development, with a T-Statistic value of 2.787 and a P-Value of 0.005. This shows that competency development plays a mediating role in strengthening the relationship between the merit system and employee performance. The implementation of a fair and transparent merit system not only directly impacts ASN performance but also becomes more effective when supported by adequate access to competency development programs. With an objective evaluation-based merit system, clear career opportunities, and performance-based rewards, ASN are more encouraged to improve their competencies, ultimately positively impacting their performance.

5. Conclusion

This study aims to analyze the effect of Employee Engagement and the Merit System on ASN Performance Improvement, both directly and through Competency Development as a mediating variable, at the National Unity and Political Agency in North Kalimantan Province. Based on the data analysis, the main findings of this study can be summarized as follows:

- 1) **Employee Engagement** does not have a direct significant effect on ASN performance improvement. However, through competency development, employee engagement has a significant indirect effect on performance, indicating that competency development acts as a full mediator in this relationship.

- 2) The **Merit System** also does not have a direct significant effect on ASN performance improvement. However, through competency development, the merit system shows a significant indirect effect on performance improvement, highlighting the importance of the merit system in driving ASN competency development.
- 3) **Competency Development** has a direct significant effect on ASN performance improvement, emphasizing that the enhancement of skills, knowledge, and work capacity is a key factor in improving performance.
- 4) **Employee Engagement** has a positive and significant effect on ASN competency development. Engaged employees tend to actively participate in training and development programs offered by the organization, which improves their skills and competencies.
- 5) The **Merit System** has a positive and significant effect on ASN competency development. The transparent and performance-based merit system motivates ASN to participate in competency development programs to improve their performance.
- 6) **Employee Engagement** has a significant effect on performance improvement through competency development, indicating that employee engagement needs to be directed toward strengthening work capacity through structured development programs to achieve tangible performance outcomes.
- 7) The **Merit System** also has a significant effect on performance improvement through competency development. A well-implemented merit system creates a fair work environment and motivates ASN to enhance their skills, which ultimately leads to improved performance.

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