

# The Effect of Competency and Employee Engagement on Employee Performance in Public Sector Institutions

Mifta Haza Rahmayuna<sup>1</sup>, Indra Sandakila<sup>2</sup>

<sup>1,2</sup>Master of Management, University of Paramadina, Indonesia

## Article Info

### Article history:

Received 2025-12-30

Revised 2026-01-13

Accepted 2026-01-19

### Keywords:

Competence

Employee Engagement

Human Resource

Management

Performance

Public Sector Organizations

## ABSTRACT

This study examines the influence of competency and employee engagement on employee performance in public sector institutions in Indonesia. The research is motivated by persistent performance disparities within public sector organizations, which are frequently linked to misalignment between employee competency and job demands, as well as insufficient levels of employee engagement. The study aims to analyze the direct effects of competency and employee engagement on employee performance and to investigate the mediating role of employee engagement in the competency–performance relationship. A quantitative explanatory approach was employed, involving 105 employees from a public-sector institution selected via simple random sampling. Data were collected using a structured questionnaire with a five-point Likert scale measuring competency, employee engagement, and employee performance. Path analysis was used to test the hypothesized relationships among variables. The results reveal that competency has a positive and significant effect on employee performance, employee engagement has a positive and significant effect on employee performance, and employee engagement significantly mediates the relationship between competency and employee performance. These findings underscore the importance of integrating competency development and employee engagement strategies to enhance performance and organizational effectiveness in public sector institutions.

*This is an open-access article under the [CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.*



## Corresponding Author:

Mifta Haza Rahmayuna

Master of Management, University of Paramadina

Email: [mifta.rahmayuna@students.paramadina.ac.id](mailto:mifta.rahmayuna@students.paramadina.ac.id)

## 1. INTRODUCTION

Human resources are a strategic asset in every organization, particularly in public-sector institutions that implement policy and provide public services. Organizational effectiveness in the public sector is not determined solely by technological advancement or infrastructure, but primarily by employees' competence and engagement in carrying out their duties and responsibilities [1]. In the context of Indonesian public administration, improving employee performance has become a central focus of bureaucratic reform, as public sector

institutions are increasingly required to demonstrate professionalism, accountability, and results-oriented performance in delivering effective and efficient public services.

Despite these demands, empirical evidence indicates that employee performance in several public sector institutions remains suboptimal. Data from the Ministry of Administrative and Bureaucratic Reform show that approximately 42% of public sector employees exhibit low productivity due to a mismatch between individual competencies and job requirements. In addition, internal surveys across various government agencies reveal declining levels of work motivation and employee engagement, particularly among younger civil servants. This condition reflects a gap between organizational expectations and actual employee performance. Previous studies suggest that inadequate competence and low employee engagement are among the main factors associated with declining performance in public organizations [2].

Employee performance is a strategic determinant of organizational success, as high-performing employees directly contribute to service quality and institutional outcomes. From a human capital perspective, organizations gain a competitive advantage when they are supported by competent, productive employees [3]. Empirical findings consistently demonstrate that employee performance is strongly influenced by the quality of human resources, particularly competence, professionalism, and work commitment [4], [5]. In public sector institutions, employee performance becomes increasingly critical as societal expectations for transparency, responsiveness, and service excellence continue to rise.

Competence refers to an individual's underlying characteristics encompassing knowledge, skills, and behavioral attitudes required to perform tasks effectively [6], [7]. In public sector institutions, competence serves as a fundamental foundation for achieving optimal performance and ensuring professional public service delivery. Several empirical studies confirm that competence has a significant positive effect on employee performance. Research by [8] and [9] demonstrates that technical, behavioral, and managerial competencies significantly enhance performance among government employees.

In addition to competence, employee engagement plays a crucial role in shaping employee performance. Employee engagement reflects the degree of emotional, cognitive, and physical involvement of employees in their work and organization. Engaged employees tend to demonstrate higher levels of dedication, enthusiasm, and commitment to organizational goals. According to Kahn (1990), employee engagement represents a psychological condition in which individuals fully invest themselves in their work roles [10]. Empirical evidence indicates that high levels of engagement foster proactive behavior and superior performance in both the public and private sectors [11].

However, employee engagement in Indonesian public sector institutions remains relatively low. The Employee Engagement Index, published by the National Institute of Public Administration, shows that only 55% of public sector employees feel emotionally and intellectually engaged in their work. Low engagement is often attributed to rigid bureaucratic structures, limited recognition systems, and ineffective internal communication, which ultimately undermine motivation and performance. Prior studies confirm that employee engagement not only directly influences performance but also strengthens the relationship between individual capabilities and work outcomes [12], [13].

---

From a theoretical perspective, the relationship between competence, employee engagement, and performance can be explained through Human Capital Theory and Work Engagement Theory, which emphasize that competence represents a productive investment, while engagement functions as a psychological mechanism that mobilizes individual potential into performance outcomes [14]. Consequently, improving employee performance in public sector institutions requires not only administrative and structural reforms, but also strategic efforts to enhance both competence and employee engagement.

Based on these considerations, this study aims to examine the effect of competence and employee engagement on employee performance in public sector institutions. Specifically, the research seeks to address the following questions: Does competence significantly influence employee performance in public sector institutions? Does employee engagement have a significant effect on employee performance? Furthermore, does employee engagement mediate the relationship between competence and employee performance? By addressing these questions, this study provides empirical evidence to support human resource development policies that strengthen competence and employee engagement as key drivers of performance in public sector institutions.

Based on the background of the study and the existing empirical and theoretical gaps, this research is guided by the following research questions: 1) Does competence have a significant effect on employee performance in public sector institutions? 2) Does employee engagement significantly influence employee performance in public sector institutions? Furthermore, 3) Does employee engagement mediate the relationship between competence and employee performance in public sector institutions?

## **2. METHOD**

This study employed a quantitative, explanatory research design to examine the causal relationships among competency, employee engagement, and employee performance in public-sector institutions in Indonesia. Explanatory research is appropriate for testing hypotheses and identifying cause-and-effect relationships between variables [15]. The population consisted of 143 active employees in one work unit of a public-sector institution, and a sample of 105 respondents was selected using simple random sampling.

The research was conducted between November and December 2025 at the selected public sector institution's head office. Data were collected using a structured questionnaire with a five-point Likert scale. Competency was operationalized as knowledge, skills, and behavioral attitudes [6]. Employee engagement was measured using the dimensions of vigor, dedication, and absorption [16]. Employee performance was assessed based on indicators of task completion, work quality, and responsibility, in accordance with the performance appraisal guidelines issued by the National Civil Service Agency of Indonesia [17].

Instrument validity was tested using the Pearson Product-Moment correlation, while reliability was assessed using Cronbach's Alpha. Data analysis was conducted using path analysis with SPSS software to examine the direct effects of competency and employee engagement on employee performance. The mediating role of employee engagement in the relationship between competency and employee performance was tested using the Sobel test,

---

allowing the estimation of both direct and indirect effects within the proposed research model.

### 3. RESULTS AND DISCUSSION

#### 3.1 Results

This study involved 105 respondents, employees of a public-sector institution in Indonesia. The demographic profile of respondents indicates a heterogeneous sample.

Table 1. Respondent Demographics

Description	Category	Sample	%
Gender	Male	71	67,62
	Female	34	32,38
Age	< 25 years	2	1.90
	25 -34 years	43	40.95
	35 – 44 years	44	41.9
	45 – 54 years	13	12.4
	> 55 years	3	2.8
Level of Education	Diploma 3 (D3)	8	7.62
	Bachelor's Degree (S1)	60	57.14
	Master's Degree (S2)	37	35.24

As presented in Table 1, the majority of respondents were male (67.62%). The age distribution shows two dominant groups: employees aged 25–34 years (40.95%) and 35–44 years (41.90%), indicating that most respondents were in their productive working years. Regarding educational background, the majority of respondents held a bachelor's degree (57.14%), suggesting a relatively high level of formal education among participants.

Next, for hypothesis testing. The direct effects of competency and employee engagement on employee performance were examined using path analysis. The results of the hypothesis testing are presented in Tables 2 and 3.

Table 2. Direct Effects

Relationship	T statistic	p-value	Result
Competency (X1) → Employee Performance (Y)	6,614	0.000	Accepted
Employee Engagement (X2) → Employee Performance (Y)	7,841	0.000	Accepted

The results of the path analysis demonstrate that competency has a positive and significant effect on employee performance, as indicated by a test statistic value of 6.614, which exceeds the critical value of 1.96. This finding confirms that higher levels of competency are associated with improved employee performance in public sector institutions. Furthermore, employee engagement shows a positive and significant effect on employee performance, with a test statistic of 7.841, well above the 1.96 threshold. These results indicate that engaged employees tend to perform better.

Table 3. R-Square Values

Relationship	R-Square	Result
Competency (X1) and Employee Engagement (X2) → Employee Performance (Y)	0,814	Accepted

The standardized path coefficients indicate the relative strength of the relationships between the exogenous variables and employee performance. The results show that both competency and employee engagement exert substantial and statistically significant effects on employee performance. The R-square value of 0.814 suggests that the proposed model explains 81.4% of the variance in employee performance, indicating strong explanatory power in the context of public sector institutions.

Further analysis examined the mediating role of employee engagement. The Sobel test results show a statistic value of 2.568 and a p-value of 0.006, both below the 0.05 significance level. This result confirms that employee engagement significantly mediates the relationship between competency and employee performance. In other words, competency influences employee performance not only directly but also indirectly by enhancing employee engagement.

Overall, the results provide empirical support for the proposed hypotheses and demonstrate that competency and employee engagement are critical determinants of employee performance in public sector institutions in Indonesia.

### 3.2 Discussion

The hypothesis-testing results demonstrate that competency has a positive and significant effect on employee performance in public-sector institutions in Indonesia. This finding indicates that improvements in employee competency are directly associated with enhanced performance outcomes. Competency refers to an individual's capacity to perform tasks or responsibilities based on the integration of knowledge, skills, and work attitudes aligned with job requirements [18]. Empirical evidence provided by Roviana et al. (2025) further confirms that competency is a positive and significant influence on employee performance, thereby reinforcing the results of this study.

Competency refers to an integrated set of knowledge, skills, abilities, behaviors, and attitudes that enable an individual to perform job-related tasks effectively and achieve successful performance, typically evaluated against predefined standards within a particular role or organizational context [20]. Employees with higher levels of competency tend to demonstrate more structured work behaviors, effective problem-solving abilities, collaborative interactions, strong work motivation, and leadership potential. These attributes collectively contribute to improved employee performance. The findings of this study are consistent with previous research by [21], [22], [23], which similarly reported a positive and significant relationship between competency and employee performance in public sector contexts.

The results also reveal that employee engagement has a positive and significant effect on employee performance in public sector institutions. Employees with higher levels of engagement typically exhibit greater work effort, persistence, and a constructive mindset

when performing their duties. Such engagement emerges when organizational values align with employees' individual characteristics and expectations [24]. Human resources possess complex attributes that distinguish them from other production factors, making effective management, development, and guidance essential for optimizing individual potential. Through effective human resource management initiatives, organizations can cultivate highly engaged employees who are more motivated and committed, ultimately leading to superior performance.

Furthermore, employee engagement is widely recognized as a critical determinant of employee performance, as evidenced in prior studies [25], [26]. The present findings are in line with empirical evidence reported by [27], [28], [29], and [30], all of which confirm the significant role of employee engagement in enhancing employee performance across public sector institutions.

Importantly, this study confirms that employee engagement functions as a significant mediating variable in the relationship between competency and employee performance. This result suggests that competency not only directly influences performance but also indirectly enhances it by strengthening employee engagement. Employees with higher competency levels tend to show stronger engagement, which, in turn, facilitates better performance outcomes [31]. This finding is consistent with the theoretical perspective proposed by Wellins and Concelman (2004), which emphasizes employee engagement as a key driver of organizational performance by fostering commitment, enthusiasm, and alignment with organizational goals. Engaged employees are more motivated, focused, and willing to exert extra effort, thereby translating individual competencies into tangible organizational outcomes [32]. Additionally, this study extends prior empirical evidence, such as that of Artati & Suyati (2024), by reinforcing the role of employee engagement as an effective mediating mechanism in explaining the relationship between competency and employee performance in public sector institutions.

#### **4. CONCLUSION**

This study concludes that competency and employee engagement play significant roles in enhancing employee performance within public sector institutions in Indonesia. The findings demonstrate that competency directly contributes to improved performance by enabling employees to perform their duties effectively through the application of appropriate knowledge, skills, and work attitudes. In addition, employee engagement independently influences performance by strengthening employees' internal motivation, dedication, and persistence in achieving organizational objectives.

Moreover, the results confirm that employee engagement mediates the relationship between competency and employee performance, indicating that competency's impact on performance is both direct and indirect. Employees with higher competency levels are more likely to develop stronger engagement, which, in turn, amplifies their performance outcomes. By addressing the research objectives, this study provides empirical evidence that supports the strategic importance of strengthening employee competency and fostering employee engagement as complementary mechanisms for improving performance in public sector institutions.

---

From a broader scientific perspective, this study advances knowledge in human resource management in the public sector by clarifying the interactions among competency, employee engagement, and performance. The findings underscore the need for integrated human resource development strategies that align competency enhancement initiatives with efforts to cultivate employee engagement, thereby improving organizational effectiveness and sustainability of performance in public sector institutions.

## REFERENCES

- [1] F. Alfawaire and T. Atan, "The effect of strategic human resource and knowledge management on sustainable competitive advantages at Jordanian universities: The mediating role of organizational innovation," *Sustainability (Switzerland)*, vol. 13, no. 15, 2021, doi: 10.3390/su13158445.
  - [2] F. A. Mansor, S. N. Z. Omar, Y. H. Mat Jusoh, M. Z. Hashim, and N. Muhammad, "Employee Engagement and Organizational Performance," *International Journal of Accounting, Finance, and Business (IJAFB)*, vol. 8, no. 50, pp. 69–80, 2023, doi: 10.32861/bmer.73.93.100.
  - [3] J. A. Colquitt, J. A. LePine, and M. J. Wesson, *Organizational behavior: Improving performance and commitment in the workplace*, 7th ed., vol., no. New York: McGraw Hill Education, 2021.
  - [4] A. Aman-Ullah, W. Mehmood, S. Amin, and Y. A. Abbas, "Human capital and organizational performance: A moderation study through innovative leadership," *Journal of Innovation and Knowledge*, vol. 7, no. 4, 2022, doi: 10.1016/j.jik.2022.100261.
  - [5] D. Kriswanto, Noermijati, Rofiaty, and A. Rofiq, "The Effect Of Market Orientation, Hr Competence, Knowledge Management On Competitive Advantage, Mediated By Company Performance," *Revista de Gestao Social e Ambiental*, vol. 17, no. 8, 2023, doi: 10.24857/rgsa.v17n8-021.
  - [6] S. M. Spencer, L. M., & Spencer, *Competence at Work: Models for Superior Performance*. Wiley., vol. 9. 2019.
  - [7] V. Nila Sari, H. Hady, and E. Elfiswandi, "The Influence of Organizational Culture and HR Competency on Employee Commitment and Their Impact on Organizational Performance," *International Journal of Social Science and Business*, vol. 7, no. 2, 2023, doi: 10.23887/ijssb.v7i2.51921.
  - [8] M. D. D. Laksana, A. Tjaija, and M. Nawawi, "The Influence Of Competence On The Performance Of Civil Servants At The Regional Civil Servant, Education, And Training Agency Of Pasangkayu Regency," *International Journal of Progressive Sciences and Technologies (IJPSAT)*, vol. 36, no. 1, pp. 256–263, 2022.
  - [9] D. Pangaribuan and Pardomuan Robinson Sihombing, "The Effect of Competence on Employee Performance Mediated on Job Satisfaction (Case Study; Ministry of Finance PPSDM Employee)," *Economit Journal: Scientific Journal of Accountancy, Management and Finance*, vol. 1, no. 4, 2022, doi: 10.33258/economit.v1i4.586.
  - [10] T. W. Puspitasari, M. A. Akbar, and R. Lina, "Leadership Style and Work Discipline on employee performance," *Advances in Human Resource Management Research*, vol. 3, no. 1, pp. 15–29, 2025, doi: 10.60079/ahrmr.v3i1.321.
  - [11] A. B. Bakker and E. Demerouti, "Job demands-resources theory: Taking stock and looking forward," *J Occup Health Psychol*, vol. 22, no. 3, 2017, doi: 10.1037/ocp0000056.
  - [12] I. W. Bagia, W. Cipta, F. Yudiaatmaja, and K. K. Heryanda, "The Influence of Competency and Work-Job Fit on the Work-Engagement and Its Impact on The Employee's Performance of District Government," in *Proceedings of the 6th International Conference on Tourism, Economics, Accounting, Management, and Social Science (TEAMS 2021)*, 2021. doi: 10.2991/aebmr.k.211124.030.
  - [13] S. D. Astuti and N. K. Suryani, "The role of proactive attitude and employee engagement in mediating the effect of perceived organizational Support and workplace spirituality on public servant performance in Indonesia," *Cogent Business and Management*, vol. 12, no. 1, p., 2025, doi: 10.1080/23311975.2025.2547960.
  - [14] S. N. Sari, A. Safitri, M. Mahrizal, A. R. Wulandari, V. L. Sinaga, and N. Mulyani, "Analisis Pengaruh Lingkungan Kerja, Work Engagement dan Work Life Balance terhadap Motivasi Kerja Tenaga Pengajar," *Edu Cendikia: Jurnal Ilmiah Kependidikan*, vol. 4, no. 03, 2025, doi: 10.47709/educendikia.v4i03.5220.
  - [15] S. Sugiyono, "The evaluation of facilities and infrastructure standards achievement of vocational high school in the Special Region of Yogyakarta," *Jurnal Penelitian dan Evaluasi Pendidikan*, vol. 25, no. 2, 2021, doi: 10.21831/pep.v25i2.46002.
-

- [16] W. B. Schaufeli, A. B. Bakker, and M. Salanova, "Schaufeli et al. 2006 Short UWES," *Educ Psychol Meas*, 2006.
- [17] Badan Kepegawaian Negara, "Laporan Kinerja Badan Kepegawaian 2022," Badan Kepegawaian Negara, 2022.
- [18] Wibowo, "Manajemen Kinerja," 2016, Raja Grafindo Persada, Jakarta.
- [19] R. Roviana, E. Bahiroh, A. I. Zarkasyi, and A. Amiruddin, "Effect of Employee Competency on Employee Performance Moderated by Organizational Community," *Journal of Business Management and Economic Development*, vol. 3, no. 02, 2025, doi: 10.59653/jbmed.v3i02.1610.
- [20] S. J. Alainati, "Towards an Effective Competency-based Education and Training Model," *OSR Journal of Business and Management (IOSR-JBM)*, vol. 23, no. 11, 2021.
- [21] I. Mulyasari, "Pengaruh Kecerdasan Emosional Dan Kompetensi Terhadap Kinerja Pegawai," *Journal of Management Review*, vol. 2, no. 2, 2019, doi: 10.25157/jmr.v2i2.1786.
- [22] A. Asniwati, "Pengaruh Kompensasi Dan Kompetensi Terhadap Kinerja Pegawai," *jesya*, vol. 5, no. 2, 2022, doi: 10.36778/jesya.v5i2.716.
- [23] H. Mulang, "Pengaruh Kompetensi dan Motivasi Terhadap Kinerja Pegawai," *Jesya*, vol. 6, no. 1, 2023, doi: 10.36778/jesya.v6i1.894.
- [24] R. F. Fancha, D. Hadiwijaya, and M. I. Muttaqijn, "The effect of quality of worklife, work motivation and employee engagement on employee performance," *Indonesian Journal of Multidisciplinary Science*, vol. 3, no. 4, 2024, doi: 10.55324/ijoms.v3i4.809.
- [25] W. H. Macey, B. Schneider, K. M. Barbera, and S. A. Young, *Employee Engagement: Tools for Analysis, Practice, and Competitive Advantage*. 2009. doi: 10.1002/9781444306538.indsub.
- [26] E. M. Mone and M. London, *Employee Engagement Through Effective Performance Management: A Practical Guide for Managers: Second Edition*. 2018. doi: 10.4324/9781315626529.
- [27] K. Sendawula, S. Nakyejwe Kimuli, J. Bananuka, and G. Najjemba Muganga, "Training, employee engagement and employee performance: Evidence from Uganda's health sector," *Cogent Business and Management*, vol. 5, no. 1, 2018, doi: 10.1080/23311975.2018.1470891.
- [28] A. A. Rumman, L. Al-Abadi, and R. Alshawabkeh, "The impact of human resource development practices on employee engagement and performance in Jordanian family restaurants," *Problems and Perspectives in Management*, vol. 18, no. 1, 2020, doi: 10.21511/ppm.18(1).2020.12.
- [29] N. I. Kurniawati and E. Raharja, "The Influence of Employee Engagement on Organizational Performance: A Systematic Review," *WSEAS Transactions on Business and Economics*, vol. 20, 2023, doi: 10.37394/23207.2023.20.20.
- [30] T. Maryati and R. J. Astuti, "The Influence of Spiritual Leadership and Employee Engagement toward Employee Performance: The Role of Organizational Commitment," *Quality - Access to Success*, vol. 23, no. 189, 2022, doi: 10.47750/QAS/23.189.37.
- [31] N. Salsabila and S. J. Lo, "The Influences of Competency and Compensation on Employee Performance at PT Balai Pustaka (Persero) as Mediated by Work Engagement," *European Journal of Business and Management Research*, vol. 8, no. 2, 2023, doi: 10.24018/ejbmr.2023.8.2.1848.
- [32] D. Fetriah and A. Hermingsih, "The Effect of Perceived Organizational Support, Work Motivation, and Competence on Employee Performance Mediated by Employee Engagement," *Dinasti International Journal of Management Science*, vol. 5, no. 1, 2023, doi: 10.31933/dijms.v5i1.2023.
- [33] N. E. Artati and S. Suyati, "The Effect of Competence and Engagement on Employee Performance: The Mediation Role of Organizational Citizenship Behavior," *Untag Business and Accounting Review*, vol. 3, no. 2, 2024, doi: 10.56444/ubar.v3i2.5517.
-