

# The Effect of Leadership and Performance Allowances on Employee Performance and Job Satisfaction at the Regional Secretariat of Bandar Lampung City

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## Abstract

This study aims to determine the influence of leadership and performance allowances on employee performance and job satisfaction. This study adopts the theory of social exchange to explain the relationship between these variables. The respondents in this study were 100 employees who worked at the Regional Secretariat of Bandar Lampung City. Design for sampling using the Simple Random Sampling technique. The data was processed using Structural Equation Modeling with the LISREL application. The results of the study show that leadership and performance allowances have a positive influence on job satisfaction. Leaders who support employees' mental and emotional health by creating a comfortable work environment and providing benefits as rewards for employees will increase job satisfaction and overall well-being. Leadership, Performance Allowances, and Job Satisfaction have a positive and significant effect on employee performance. Employee performance is the main focus of the agency to achieve goals, therefore the role of leadership is needed to protect the competence of employees in carrying out their work. Performance allowances as rewards are also a significant factor in improving their work due to the sense of job satisfaction of employees who feel appreciated by the agency.

## Keywords

Leadership, Performance allowances, Job satisfaction, Employee performance

## Introduction

Employee involvement in an organization can bring the organization to survive and grow towards organizational goals. Employees are an important component in the success of the organization based on the results of employee performance. Employees as the driving force of the organization in implementing sustainable sustainability (Fidyah & Setiawati, 2020). Employees must be proactive, responsive, and hardworking to be able to deliver the best performance results for the organization.

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One of the factors that can improve employee performance is the leadership factor. Leadership is one of the important aspects that determine the success of an organization (Mwesigwa et al., 2020). Effective leadership is becoming increasingly necessary to maintain organizational competitiveness as a result of increasingly fierce competition on a global scale and accelerating changes in the nature of the business environment (Rivaldo, 2021). The demand for organizational leaders to effectively guide their teams and organizations in the context of increasing complexity and dynamism in the business world is becoming more urgent (Zhou et al., 2021). As a result, the study of leadership has emerged as a major focus in the field of management literature.

Leadership plays a crucial role in creating a productive and motivating work environment for employees. Effective leadership not only provides direction, but also focuses on employee development and empowerment. Belias et al. (2022) said that an effective leader must be flexible enough in adjusting the differences between employees and situations because employee performance depends on whether or not leadership matches situational leadership factors.

One of the factors that can affect employee performance is performance allowances, both financial and non-financial. Salary is a form of financial compensation. A balance between a reasonable salary and non-financial benefits is essential to attract and retain quality employees, as well as maintain the company's financial health. In line with research conducted by Purwati & Kurniawan (2018) which states that salary has an influence on employee performance, this is inversely proportional to research conducted by Asfiah et al. (2022) which explains that salary has no effect on employee performance. Because there are differences in the results of research conducted by previous researchers, the researcher wants to retest the variable with different objects.

The next thing that can affect employee performance is job satisfaction. Vallo & Mashau (2020) states that job satisfaction is related to the level of personal satisfaction. Therefore, everyone's level of satisfaction varies and what happens when several factors are met, namely individual needs and their relationship with the degree of likes and dislikes of employees (Rodjam et al., 2020). Job satisfaction can be one of the main reasons for the continuity and success of a company. Job satisfaction is one of the attitudes that has been studied extensively in the field

of organizational behavior to understand various organizational outcomes (Porto Bellini et al., 2019). Luthans (2006) explain that job satisfaction is the employee's perception of how well the job delivers what is considered important and positive.

The research of Egenius et al. (2020) regarding the effect of job satisfaction on employee performance shows that there is a positive influence on employee performance. This concept is supported by Rosalia et al. (2020) who state that job satisfaction has a positive effect on employee performance. Rahman's (2020) research on the effect of job satisfaction on employee performance found that job satisfaction has a positive effect on employee performance. Job satisfaction is also an important predictor in increasing employee effectiveness (Ngwenya & Pelsler, 2020). According to Wau (2021), job satisfaction can have a positive impact on various aspects of employee performance. When employees are satisfied with their jobs, they tend to be more motivated, productive, and committed to their work. In addition, satisfied employees tend to make a positive contribution to shaping a more conducive organizational climate (Widayati et al., 2021).

Based on the results of the 2023 performance report related to the implementation of bureaucratic reform policies and increasing performance accountability in the Bandar Lampung City Government, there are 4 indicators, namely Bureaucratic Reform Index, in 2023 the Bureaucratic Reform Index has a target score of 61.03 with a target achievement of 56.69. Results of Public Service Performance Evaluation, in 2023, the results of the Public Service Performance Evaluation of Bandar Lampung City have a score of 88.70 with the Good (B-) predicate category. Accountability Value of Government Agency Performance, in 2023, the Government Agency Performance Accountability Score has a target of 56.80 and has a Government Agency Performance Accountability Score with a target of 57.49 with the Predicate "CC". Results of OPD Performance Accountability Assessment by the Bandar Lampung City Inspectorate (OPD SAKIP Scores). The results of the OPD Performance Accountability Assessment by the Bandar Lampung City Inspectorate are 73.90% with the predicate "BB", which shows that the implementation of performance accountability is Very Good.

The results of the report that have been described show that the Bandar Lampung City Regional Secretariat still has a performance that gets a B-. This means that the performance

of public services carried out by employees has not reached the maximum value, namely A. Based on the observations made by the author, it shows that the organizational culture has not been formed comprehensively in employees so that there are still employees who commit violations. Then, there are employees who are dissatisfied with the organizational services received, as well as the amount and facilities of employee performance allowances. Thus, this study aims to find out the factors of leadership, performance allowances, and job satisfaction that are suspected to have an impact on employee performance.

## Methods

The research uses a quantitative approach as a research approach used to test theories or hypotheses by measuring and analyzing numerical data. This approach focuses on collecting data that can be calculated and used to identify patterns, relationships, and effects between variables. The sample in this study is 100 employees who work at the Bandar Lampung City Regional Secretariat. Furthermore, the design to take samples using the Simple Random Sampling technique, which is a sampling technique on each member of the population has the same chance of being selected. Data analysis will be carried out using Structural Equation Modeling which is processed through the LISREL application. The item measurements of each variable will be described in the Table I.

**Table I.** Variable Item Measurements.

<b>Variable</b>	<b>Operational Definition</b>	<b>Statement Items</b>
Leadership	The approach applied by the employer in the daily interaction with the employee	<ul style="list-style-type: none"> <li>• I believe in my boss's ability to overcome any obstacle</li> <li>• My boss always motivates us to focus our efforts on getting the job done</li> <li>• My boss allows me to think about old problems in a new way</li> <li>• My boss treats me as an individual and not as part of an anonymous group</li> <li>• My boss made sure that there was a close agreement between what he expected of me and what I could get out of him for my efforts</li> <li>• My leaders encourage thinking about problems in new ways and question assumptions</li> </ul> (Ilies et al., 2007)
Performance Allowance	A systematic approach to provide value for money to employees in exchange for work done at the Bandar Lampung City Regional Secretariat	<ul style="list-style-type: none"> <li>• I feel satisfied with the amount of performance allowance I receive according to the work I do</li> </ul>

Variable	Operational Definition	Statement Items
	(Mahmood et al., 2019)	<ul style="list-style-type: none"> <li>I feel like I am being given a fair amount of performance allowance for the work I do</li> <li>I receive a performance allowance that corresponds to my job compared to the same job at another organization</li> </ul>
Job Satisfaction	Positive emotional state as a result of the employee's job assessment or work experience at the Bandar Lampung City Regional Secretariat (Locke, 1969 dalam Mainardes et al., 2019)	<ul style="list-style-type: none"> <li>I find a job fun at my type of work</li> <li>I love my job more than the average person likes their job</li> <li>I rarely get bored with my job</li> <li>I wouldn't consider a job change</li> <li>Almost every day, I am passionate about my work</li> <li>I am very satisfied with my work</li> </ul>
Employee Performance	Performance as the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given (Abilash & Siju, 2021)	<ul style="list-style-type: none"> <li>I can complete the assigned work competently</li> <li>I can do my job description task</li> <li>I never neglected my job responsibilities</li> </ul>

## Result and Discussion

The respondents in this study were mostly male at 61% while the number of respondents with the female gender was 39%. This shows that the majority of employees at the Bandar Lampung City Regional Secretariat are male.

### *Validity and Reliability Test Results*

The leadership variable had a construct reliability (CR) value of  $> 0.70$ , which was 0.94, while the average variance extracted (AVE) value  $> 0.50$ , which was 0.74. The performance allowance has a construct reliability (CR) value of  $> 0.70$ , which is 0.92, while the average variance extracted (AVE) value  $> 0.50$ , which is 0.78. Job satisfaction has a construct reliability (CR) value of  $> 0.70$ , which is 0.94, while the average variance extracted (AVE) value  $> 0.50$ , which is 0.73. Employee performance has a construct reliability (CR) value of  $> 0.70$ , which is 0.89, while the average variance extracted (AVE) value  $> 0.50$ , which is 0.74. Thus, the results of the convergent validity test are declared valid and reliable.

**Table 2.** Results of Convergent Validity Test

Variabel	SLF $> 0,50$	Error	CR $> 0,70$	AVE $> 0,50$	Conclusion
Leadership			0,94	0,74	Reliabel

Variabel	SLF > 0,50	Error	CR > 0,70	AVE > 0,50	Conclusion
KN1	0.84	0.29			Valid
KN2	0.88	0.23			Valid
KN3	0.89	0.21			Valid
KN4	0.85	0.28			Valid
KN5	0.87	0.24			Valid
KN6	0.82	0.33			Valid
Variabel	SLF > 0,50	Error			Kesimpulan
<i>Performance Allowance</i>					Reliabel
TK1	0.91	0.17			Valid
TK2	0.92	0.16	0,92	0,78	Valid
TK3	0.83	0.32			Valid
Variabel	SLF > 0,50	Error			Kesimpulan
<i>Job Satisfaction</i>					Reliabel
KK1	0.74	0.45			Valid
KK2	1.00	0.00			Valid
KK3	1.00	0.00	0,94	0,73	Valid
KK4	0.75	0.44			Valid
KK5	1.00	0.00			Valid
KK6	0.50	0.75			Valid
Variabel	SLF > 0,50	Error			Kesimpulan
<i>Employee Performance</i>					Reliabel
KPI	0.78	0.39	0,89	0,74	Valid
KP2	0.93	0.14			Valid
KP3	0.86	0.25			Valid

### Hypothesis Test Results

The results of hypothesis testing in this study use Structural Equation Modeling (SEM) with the help of the LISREL application. SEM analysis is a single model/basic model, there is no model modification from the initial model of the study. The description of the results of the model fit test (goodness of fit) in structural equation modelling (SEM) in this study will be presented in the following Table 3.

**Table 3.** Model Fit Test Results

Overall Fit	Value of Results	Standard Values	Conclusion
RMSEA	0,027	$\leq 0,05$	good
GFI	0,96	$\geq 0,90$	good
AGFI	0,98	$\geq 0,90$	good
NFI	0,91	$\geq 0,90$	good
CFI	0,92	$\geq 0,90$	good
PNFI	0,70	$\leq 0,90$	good

Overall Fit	Value of Results	Standard Values	Conclusion
PGFI	0,45	≤ 1,00	good

Table 3 above shows that the overall model has satisfactory results, namely the results of the model fit test (Goodness of Fit) used to build the structural model at this stage show a good fit. The structural model describes the relationships that exist between latent variables (Wijanto, 2008). The results of the structural model were used to test the research hypothesis. The results of the overall model estimation will be displayed as follows.

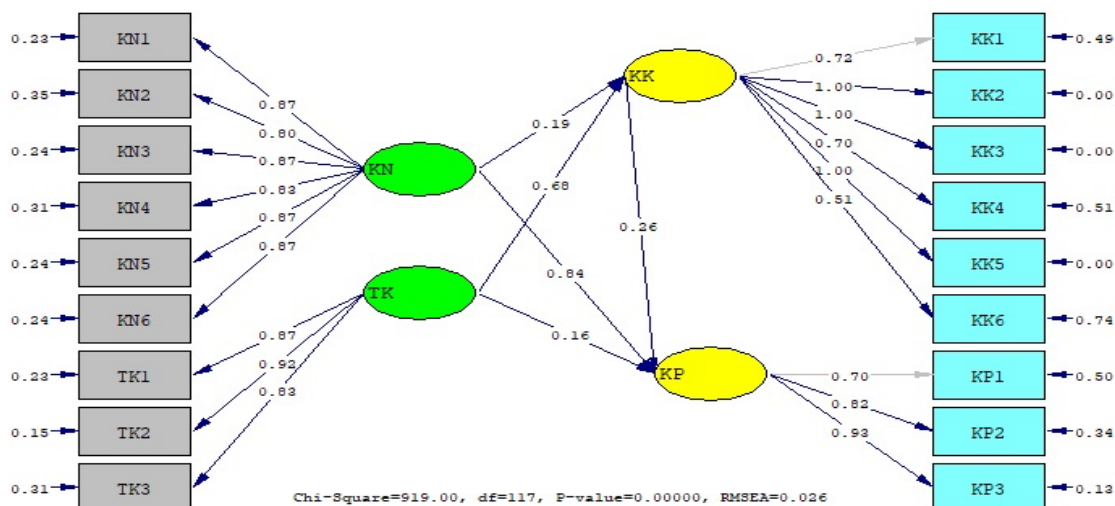


Figure 1. Structural Model Standardized Solution

The leadership variable (KN) on job satisfaction (KK) had a positive influence of 0.19 and a t-value of 2.59. This means that leadership has a positive and significant effect on job satisfaction (H1 supported). The results of the study show that leadership has an impact on employee job satisfaction. It is also supported by the ability to make good and timely decisions, based on available information as an important aspect of leadership. Then the role of leaders in resolving disputes in a constructive and fair way is a valuable leadership skill. The results of the study are also supported by research conducted by Mwesigwa et al. (2020) that leadership greatly affects job satisfaction at a university in Uganda.

Effective performance allowances help build a culture of performance in the organization. This culture encourages employees to continue to strive for high standards and value achievements. The results of the study show that performance allowance has a positive influence on job satisfaction. The same thing was also stated by Irawan et al., (2022) that

performance allowances strongly support job satisfaction for employees working in the government sector. Fair and effective performance allowances can reduce compensation-related dissatisfaction. When employees feel that they are rewarded according to their contributions, they tend to be more satisfied and motivated.

The results of the study show that leadership has an influence on employee performance at the Bandar Lampung City Regional Secretariat. Leaders who set high standards and expect quality results can encourage employees to work harder and achieve better performance. Leaders who provide freedom and support for employees to think creatively and innovatively. This can lead to better solutions and improved performance in the face of challenges.

The results of the study show that job satisfaction has an influence on employee performance supported by research previously conducted by Memon et al. (2023). Employees who feel satisfied and appreciated are more likely to think creatively and propose new ideas. Job satisfaction creates an environment that supports innovation, where employees feel comfortable experimenting and contributing with new solutions. The results of the study show that performance allowances have an influence on employee performance. These results are supported by research previously conducted by Iryani et al. (2022). Employees who are motivated by performance benefits often pay attention to the quality of their work. They strive to produce better outputs and avoid mistakes to ensure that they meet the standards required to earn rewards.

## **Conclusion**

Effective leadership plays a crucial role in enhancing employee job satisfaction and performance. By involving employees in decision-making, leaders foster a sense of ownership and responsibility, while also ensuring that their voices are valued. Fair and consistent judgments help create a workplace free from bias and discrimination, which is essential for satisfaction and trust. Furthermore, performance allowances serve as an important form of recognition, motivating employees to maintain or even improve their work. Such rewards encourage healthy competition, which can drive productivity and efficiency across teams. Leadership effectiveness also lies in providing clear direction and achievable goals, helping employees understand expectations and how to meet them. A supportive and inclusive work environment built by fair leaders increases morale, collaboration, and constructive conflict

resolution, leading to higher performance and stronger workplace relationships. Employees who are satisfied with their jobs tend to show greater commitment and loyalty to organizational goals, while performance allowances reduce turnover by reinforcing a sense of being valued. Despite these findings, this study has limitations, as it does not account for other influential factors such as the work environment. Future research should explore additional variables and apply stratified random sampling with different objects to enrich the literature on human resource management.

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