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Employee Performance Allowance Effects on Human Resource Productivity and Welfare in Papua

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Abstract

Purpose: This study examines the effect of the employee performance allowance, locally known as *Tambahan Penghasilan Pegawai* (TPP), on human resource productivity and employee welfare among civil servants at the Agency for Apparatus Resource Development or *Balai Pengelolaan Sumber Daya Air* (BPSDA) of Papua Province, and tests whether productivity mediates the relationship between the allowance and welfare.

Research Methodology: A quantitative approach was applied to all 60 civil servants at BPSDA using a saturated sampling technique. Data were collected through a five-point Likert-scale questionnaire and analyzed with simple linear regression, path analysis, and the Sobel test using SPSS version 24.

Results: The performance allowance had a positive and significant effect on productivity, but no significant direct effect on welfare. Productivity had a positive and significant effect on welfare, and productivity significantly mediated the relationship between the allowance and welfare, with the indirect effect exceeding the direct effect.

Conclusions: The performance allowance improves employee welfare mainly through the channel of productivity rather than through a direct income effect.

Limitations: The cross-sectional design, the single-institution sample, and reliance on perception data restrict generalizability.

Contributions: The study offers empirical evidence for performance-based compensation policy in a remote provincial civil service and extends human capital and motivation theory to a Papuan public-sector setting.

Keywords: *Employee Welfare, Human Resource Productivity, Path Analysis, Performance Allowance, Public Sector Compensation*

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1. Introduction

Indonesia decentralization framework, established through Law Number 23 of 2014 on Regional Government and reinforced by Law Number 1 of 2022 on Fiscal Relations between the Central and Regional Governments, was designed to accelerate public welfare through better public services, community empowerment, and regional competitiveness. Within this framework, the civil apparatus stands as the operational arm of every policy that a regional government adopts. Civil servants who feel secure in their income and their working conditions tend to display stronger performance, loyalty, and dedication, which in turn shapes the effectiveness of local bureaucracy and the pace of regional development. Under Law Number 5 of 2014 on the State Civil Apparatus, civil servants are defined as professionals appointed by a personnel management official and assigned to a government position, compensated according to prevailing regulations (Dewi, Widiartanto, & Listyorini, 2022).

The 2014 State Civil Apparatus Law was part of a broader bureaucratic reform agenda that sought to move Indonesian public administration from a rule-based system toward a performance-based one, and eventually toward a dynamic governance model built on human capital. Performance management has become the government's chosen instrument for cultivating a workforce that is both competent and efficient. Maulid, Bawono, and Sudibyo (2022) studied the effect of an income-improvement allowance on the effectiveness of civil servants at the West Java Transportation Agency and found a significant positive relationship. Civil servants are expected to serve the public with dedication and full responsibility, functioning as the extension of government in maintaining an orderly and secure process of development (Karsam & Budiandru, 2023).

The performance of any organization, formal or otherwise, depends heavily on the quality of its human resources. Because people occupy such a strategic position within an organization, attention to the human element is one of the central requirements for raising work productivity. Civil servants must possess adequate competence in their respective fields so that the public receives excellent service consistent with the ideal of good governance. Wages and incentives are among the most direct levers available for lifting organizational productivity. Hasibuan (2019), defines productivity as the ratio between output and input. Madakarah and Makaliwe (2023) studied the effect of wages and incentives on the work productivity of employees at the Regional Disaster Management Agency of North Sulawesi Province and concluded that both wages and incentives significantly affect work productivity.

A persistent problem in Indonesian public bureaucracy concerns competence, performance, and discipline, and one of the most commonly cited root causes is inadequate compensation, specifically the additional employee income allowance that local governments provide to their civil servants. Karsam and Budiandru (2023) explains that the allowance is intended to raise the quality and achievement of work so that efficiency and effectiveness reach their fullest potential, and should therefore be given to civil servants to strengthen morale so that development targets are met. To keep civil servants both productive and financially secure, the central government continues to issue supporting regulations. Madakarah and Makaliwe (2023), describes employee welfare as a supplementary form of compensation, material and non-material, given at management discretion to preserve and improve employees' physical and mental condition so that productivity keeps rising. Dewi et al. (2022) studied the effect of a regional performance allowance on the performance of civil servants at the Cimahi City Public Works and Spatial Planning Agency and found a significant positive effect.

Law Number 20 of 2023 on the State Civil Apparatus stipulates that the performance allowance should reflect not only achievement but also workload, duty station conditions, scarcity of the relevant profession, and the fiscal capacity of the region. The size of the allowance therefore fluctuates with individual performance, and civil servants are expected to respond by strengthening integrity, discipline, achievement, cooperation, commitment, and motivation. Within regional government organizations, the allowance is meant to attract, motivate, and retain the human resources an organization needs to reach its previously set targets (Republic, 2023).

Papua Province introduced its own performance allowance policy in 2025, following Government Regulation Number 12 of 2019 on Regional Financial Management, which allows additional income to be paid according to a region's fiscal capacity and gives the provincial government a tool for monitoring attendance, discipline, and budget efficiency. Following the policy rollout, the Papua provincial government disbursed a performance allowance of approximately IDR 911,152,059,084.00 in 2025 to roughly 8,000 civil servants across the provincial government, using an attendance-based payment formula (Republic, 2019).

Given that the allowance has already been disbursed to civil servants across Papua provincial government, it is reasonable to expect that the payment would raise human resource productivity and employee welfare. Internal personnel data from BPSDA Papua Province in 2024 indicate, however, that welfare has not necessarily improved in step with the region's fiscal performance. Several indicators point in this direction, including delayed disbursement of the allowance in certain budget periods, still-limited work and training facilities, differing perceptions of welfare across echelon levels and position types, and the absence of a sustained capacity-building program for civil servants. Within a single year, the real welfare condition at BPSDA has deteriorated compared with previous years, so that meeting even basic needs now requires employees to carefully rank priorities rather than assume adequacy. BPSDA Papua Province employs 97 peoples in total, of whom 60 form the population examined in this study.

The allowance's effect on performance at BPSDA can be seen in a decline in loyalty and dedication, for example employees who once avoided procrastination now tend to finish tasks only up to the 3:00 p.m. cut-off and postpone the remainder to the following day, and the drop in work innovation is stark because motivation no longer matches the level of welfare received, a pattern consistent with Victor Vroom refined expectancy theory of motivation. On the welfare side, household income has fallen, daily needs have become harder to meet, financial pressure has risen, loan installments or children's school fees are sometimes delayed or underpaid, uncertainty and stress have increased particularly where the allowance is tied to performance evaluation, saving capacity and emergency funds have shrunk, work motivation and morale have weakened, and both performance and discipline risk deteriorating because civil servants feel the compensation no longer matches their workload.

Given this background, the present study analyzes the effect of the employee performance allowance on human resource productivity and employee welfare at the Agency for Apparatus Resource Development, with productivity examined as a possible mediating channel. The study asks whether the allowance affects welfare directly, whether productivity affects welfare, and whether the allowance affects welfare indirectly through productivity. Correspondingly, the study aims to analyze the effect of the allowance on welfare, the effect of productivity on welfare, and the effect of the allowance on welfare through productivity as a mediating variable. Theoretically, the findings are expected to enrich the literature on public human resource management and the fiscal underpinnings of civil service welfare, while practically the results are intended to guide BPSDA and the Papua provincial government toward a more productivity-oriented and welfare-conscious compensation policy.

2. Literature Review and Hypotheses Development

2.1 Public Finance and Regional Fiscal Capacity

Public finance is the branch of economics concerned with how government raises revenue and directs spending toward social and economic goals. Musgrave and Musgrave (1989) identify an allocation function, through which economic resources are directed toward public goods, a distribution function, through which income and wealth are redistributed to narrow inequality, and a stabilization function, through which price stability and employment are maintained. At the regional level these functions operate through fiscal policy financed largely by locally generated revenue, and a stronger revenue base gives a regional government more room to finance apparatus welfare and improve public service quality (Syahrimi et al., 2025).

The notion of fiscal capacity describes the extent to which a region can finance its own needs, and when locally generated revenue rises a regional government gains more flexibility in allocating funds toward personnel spending, education, training, and performance allowances (Ayala et al., 2021). Ahmed (2022) shows that stronger government effectiveness is associated with better development outcomes, a relationship that plausibly extends to a region's ability to translate fiscal capacity into apparatus welfare. Local financial ratios such as fiscal independence and fiscal effectiveness likewise shape how much room a region has to fund apparatus compensation (Hendaris, 2025; Pandiangan et al., 2026).

2.2 Regional Autonomy, Fiscal Decentralization, and Apparatus Welfare

Regional autonomy rests on the premise that a regional government understands local needs better than the central government does, and fiscal decentralization is intended to improve efficiency in the provision of public goods, strengthen accountability, and deepen community participation (Lewis, 2023). Under Law Number 23 of 2014 and Law Number 1 of 2022 on Fiscal Relations between the Central and Regional Governments, regional governments hold the authority to raise locally generated revenue from regional taxes, regional levies, returns on separated regional assets, and other legitimate local revenue to finance regional development, including apparatus compensation (Jin & Rider, 2022).

This theoretical position implies that a stronger revenue base is not only a fiscal objective in itself but also an instrument of decentralization that can be used to strengthen apparatus welfare and community welfare together. Fiscal independence built on locally generated revenue allows a region to improve the structure of salaries, allowances, and working facilities for civil servants according to its own fiscal capacity (Afrizal & Khoirunurrofik, 2022; Adhitya & Solikin, 2025). Evidence from across Indonesian provinces confirms that fiscal decentralization and financial performance ratios are systematically associated with the welfare and development outcomes that regions can deliver (Agusriandi et al., 2023; Sakti et al., 2024).

2.3 Human Capital, Motivation Theory, and Civil Service Welfare

Employee welfare is one of the central variables in human capital theory. Becker (1964) argues that welfare, education, training, and motivation feed directly into productivity, so a well-cared-for civil servant tends to be more motivated, more loyal, and more capable of high performance. Rivai and Sagala, as cited in the literature on public human resource management, distinguish financial welfare, encompassing salary, allowances, facilities, and incentives, from non-financial welfare, encompassing working conditions, relationships with superiors, career certainty, and recognition of performance. Government Regulation Number 11 of 2017 on Civil Apparatus Management similarly treats welfare as an integral part of the merit system meant to build a professional, neutral, and high-integrity apparatus.

In Papua, where the cost of living is high and the geography is demanding, apparatus welfare becomes a particularly sensitive issue. A stronger revenue base should, in principle, give a region more room to raise performance allowances, expand training, and improve working facilities. This expectation is reinforced by classical motivation theory. Maslow's hierarchy of needs holds that people are driven by five layers of need arranged in sequence, so that lower physiological and security needs must be reasonably satisfied before higher social and self-actualization needs become motivating (Ihensekien & Joel, 2023). Herzberg's two-factor theory adds that hygiene factors, including pay and working conditions, prevent dissatisfaction without necessarily creating satisfaction, while motivator factors, including recognition and achievement, actively drive performance (Ihensekien & Joel, 2023). Alderfer's ERG theory refines Maslow's hierarchy into three broader categories, existence, relatedness, and growth, and helps explain why civil servants at BPSDA may respond differently to the same allowance depending on which need currently dominates their circumstances.

2.4 The Relationship between the Performance Allowance and Employee Welfare

The theoretical chain that links a stronger revenue base to apparatus welfare runs through regional spending, according to Mahmudi's account of regional financial management: rising locally generated revenue expands a region's fiscal capacity, which expands personnel spending, which in turn should raise civil service welfare. This relationship, however, is not automatically linear, because the effectiveness of the allowance depends on budget allocation choices and development priorities. If revenue is directed toward capital spending or public subsidies rather than personnel welfare, the effect on apparatus welfare can remain limited.

Empirical studies on the relationship between regional revenue capacity and apparatus compensation offer a broadly consistent picture. Regional financial performance and fiscal decentralization indicators have been shown to shape both the level and the productivity of capital and personnel spending and a region's effectiveness in realizing its own revenue targets has a bearing on how much room remains for apparatus welfare programs (Harry, Zein, Muhtarom, Mulyadi, & Septiani, 2024; Susiani, & Hanifa, 2026; Ichsan, & Zurrahmi, 2022; Nabilah, & Hernadi, 2022). More directly, evidence on employee welfare and compensation systems in other organizational settings shows that an effective welfare and compensation system underlies the whole cluster of human resource policies that ultimately shapes performance by Ampong (2024), while the relationship between incentive pay and effort in public organizations tends to be more muted than in private ones because public-sector work is harder to monitor and reward on narrow performance metrics alone (Triest, 2024).

Turning to the specific relationship examined in this study, the additional employee income allowance is a performance-based supplement that reflects a civil servant's conduct and achievement, oriented toward reward and correction in performance appraisal, while work productivity is the capacity to obtain the maximum result from the resources available. Asrari and Wau (2023) examined the effect of the performance allowance on work productivity at the Regional Secretariat of Pasaman Regency and found a significant positive effect. Little prior research has directly tested whether the allowance affects employee welfare, but a body of work does show that the allowance affects welfare indirectly, through the channel of productivity. Dharma, Hirdanti, and Salianto (2024) examined the effect of employee productivity on employee welfare in Medan Selayang Subdistrict and found a significant positive effect, meaning that a rise in productivity is followed by a rise in welfare; a similar positive effect of productivity on welfare.

Compensation research outside the Indonesian civil service reaches a comparable conclusion. Compensation and productivity are consistently linked in service and retail settings and the same pattern extends to studies that combine compensation with the work environment or work discipline as joint predictors of employee productivity (Aditirangga et al., 2025; Ida and Alamsyah, 2024; Kudratul, & Sarpan, 2024; Rahmawati, Partha, & Piar, 2022). Compensation likewise interacts with work-life balance and job satisfaction to shape employee performance in a way that is rarely limited to the direct financial effect of pay alone (Dewi, Widiartanto, & Listyorini, 2022; López-Cabarcos, Vázquez-Rodríguez, & Quiñoá-Piñeiro, 2022). Taken together, this literature suggests that a performance allowance is more reliably converted into welfare when it first raises productivity, rather than through an unmediated income effect.

2.5 Conceptual Framework

The conceptual framework of this study positions the performance allowance (X) as the exogenous variable that is hypothesized to influence employee welfare (Y), both directly and indirectly through human resource productivity (Z) as a mediating variable. The stronger the allowance a civil servant receives, the greater the expected improvement in productivity, and the higher that productivity, the greater the expected improvement in welfare. At the same time, the allowance is expected to retain some direct bearing on welfare that does not pass through productivity. This framework treats productivity as the channel that converts a performance-based payment into a lasting improvement in living conditions, rather than assuming that the payment translates automatically and directly into welfare.

2.6 Hypotheses Development

Building on the theoretical account above and the pattern found in prior studies, the performance allowance is expected to raise the capacity of civil servants to complete their assigned tasks efficiently, because a reward tied to attendance and achievement gives an immediate incentive to work harder and more carefully. This expectation is supported by Ghozali (2016), who found a significant effect of the allowance on work productivity at the Regional Secretariat of Pasaman Regency, and by the broader compensation-productivity literature reviewed above (Aditirangga, Mardikawanty, & Ependi, 2025; Kudratul, & Sarpan, 2024). Accordingly, the first hypothesis is stated as follows.

> H_1: The employee performance allowance has a positive and significant effect on human resource productivity at BPSDA Papua Province

Whether the allowance improves welfare directly is theoretically less certain, because a performance-based payment that is disbursed irregularly, or that is perceived as insufficient relative to the cost of living in Papua, may fail to translate into a felt improvement in living conditions even while it succeeds in motivating attendance and task completion. The mixed empirical record on the direct compensation-welfare link motivates the second hypothesis (Triest, 2024; Ampong, 2024).

> *H_2:* The employee performance allowance has a positive and significant effect on employee welfare at BPSDA Papua Province

Productivity is expected to translate into welfare because a more productive civil servant is more likely to be recognized, retained, and rewarded, and because higher productivity itself represents a more efficient use of the time and resources available to meet personal needs.

> *H_3:* Human resource productivity has a positive and significant effect on employee welfare at BPSDA Papua Province

Finally, if the allowance strengthens productivity, and productivity in turn strengthens welfare, then productivity should carry at least part of the allowance's effect on welfare, an indirect pathway that mediation analysis is designed to detect.

> *H_4:* The employee performance allowance has a positive and significant effect on employee welfare through human resource productivity as a mediating variable at BPSDA Papua Province

3. Research Methodology

3.1 Research Design and Location

This study used a quantitative research design to test the causal relationships proposed in the hypotheses above. The research was conducted at the Agency for Apparatus Resource Development (BPSDA) of Papua Province, an institution chosen purposively because it plays a strategic role in developing the civil apparatus within the Papua provincial government and because it had already implemented the performance allowance policy under study. Data collection took place over five months, from October 2025 through February 2026.

3.2 Unit of Analysis, Population, and Sample

The unit of analysis was the individual civil servant working at BPSDA. The population comprised all 60 civil servants employed at the agency. Because the population was relatively small and the researcher sought a generalization with minimal sampling error, a saturated sampling technique was applied, in which the entire population was treated as the sample. The sample therefore consisted of all 60 civil servants at BPSDA Papua Province (Sugiyono, 2015).

3.3 Data Types, Sources, and Collection Method

This is a quantitative study grounded in the positivist tradition, in which numerical data are collected and analyzed using statistical procedures. Both primary and secondary data were used. Primary data were obtained directly from respondents through a structured questionnaire, while secondary data supported the interpretation of institutional context. The questionnaire used a checklist format accompanied by a five-point Likert scale to capture respondent attitudes, opinions, and perceptions regarding the performance allowance, productivity, and welfare, and its validity and reliability were tested with the assistance of SPSS version 24.

Three variables were measured. The performance allowance (*X*) served as the independent variable, human resource productivity (*Z*) served as the mediating variable, and employee welfare (*Y*) served as the dependent variable. Each item was scored on a five-point Likert scale, in which a response of strongly agree was scored 5, agree was scored 4, neutral was scored 3, disagree was scored 2, and strongly disagree was scored 1. The performance allowance variable was measured with 10 items, and the combined productivity and welfare instrument likewise comprised 10 items, drawn from indicators of workload appropriateness, rank appropriateness, task accountability, work speed, punctuality, and the capacity of the allowance to meet daily and long-term living needs.

3.4 Data Analysis Method

3.4.1 Instrument Quality Testing

The accuracy of any survey-based conclusion depends on the quality of the instrument used to collect the data. Validity was tested using Pearson correlation with the assistance of SPSS version 24, and an item was deemed valid when its significance value was below 0.05. Reliability was tested using Cronbach's Alpha computed from a single administration of the instrument (a one-shot measurement), and a variable was deemed reliable when its Cronbach's Alpha exceeded 0.70 (Sugiyono, 2015).

3.4.2 Classical Assumption Testing

Before hypothesis testing, the classical assumption tests were carried out to confirm that the regression model used in the study was appropriate. Normality was tested with the one-sample Kolmogorov-Smirnov test, in which the residuals were considered normally distributed when the Asymp. Sig. (2-tailed) value exceeded 0.05. Linearity was tested by examining the Deviation from Linearity significance value in the ANOVA table, in which a value exceeding 0.05 indicates a linear and significant relationship between the dependent and independent variables. Heteroscedasticity was tested using the Glejser test, in which a significance value exceeding 0.05 indicates the absence of heteroscedasticity.

3.4.3 Path Analysis

Path analysis was used to determine the direct and indirect effects among the performance allowance, productivity, and welfare, following a simple linear regression approach at each sub-structure and relying on standardized coefficients to compare the strength of different paths. Path analysis is an extension of multiple regression used to estimate causal relationships among variables that have already been specified theoretically; it does not itself establish causation but tests a causal model built from theory. Two structural equations were specified as follows in Formula 1 and Formula 2 .

$$Sub - structureI : Z = a0 + a1X + e1 \tag{1}$$

$$Sub - structureII : Y = b0 + b1X + b2Z + e2 \tag{2}$$

Where X denotes the performance allowance, Z denotes human resource productivity, Y denotes employee welfare, a0 and b0 are constants, a1, b1, and b2 are path coefficients, and e1 and e2 are error terms. The analytical procedure proceeded in four steps: first, estimating the effect of X on Z; second, estimating the effect of X and Z on Y; third, comparing the path coefficients of X on Y, X on Z, and Z on Y to determine whether Z functions as a mediator of the relationship between X and Y; and fourth, testing the significance of the indirect effect with the Sobel test. This framework draws on Victor Vroom's expectancy theory, which holds that a person's motivation to act depends on the expectation that the action will be followed by a particular outcome and on how attractive that outcome is to the individual.

3.4.4 Hypothesis Testing

Hypotheses were tested using the t-test at a significance level of 5%. The decision rule was that the null hypothesis is accepted, and the alternative hypothesis rejected, when the calculated t-value is smaller than the t-table value, indicating no significant effect of the independent variable on the dependent variable; conversely, the null hypothesis is rejected, and the alternative hypothesis accepted, when the calculated t-value exceeds the t-table value, indicating a significant effect. Given the sample size and a significance level of 0.05, the t-table value used in this study was 1.670.

The significance of the mediating role of productivity was further tested with the Sobel test, using the formula Z = (a1 x b2) / square root of (b2-squared x SEa1-squared + a1-squared x SEb2-squared), where a1 is the path coefficient from *X* to *Z*, b2 is the path coefficient from *Z* to *Y*, and SEa1 and SEb2 are the corresponding standard errors. A Sobel probability value below 0.05 indicates that productivity significantly mediates the relationship between the performance allowance and employee welfare.

3.5 Operational Definitions

The employee performance allowance (*X*) is defined as additional income granted to civil servants beyond their basic salary, calculated according to position class, performance appraisal, and discipline. Human resource productivity (*Z*) is defined as the quantity and quality of an employee's work relative to an established standard, given the responsibilities and core duties assigned. Employee welfare (*Y*) is defined as a supplementary form of compensation, material and non-material, granted at management discretion to preserve and improve employees' physical and mental condition so that productivity continues to rise.

4. Results and Discussions

4.1 Respondent Characteristics

Respondent characteristics are described according to gender, level of education, and current position. All 60 civil servants at BPSDA Papua Province completed the questionnaire, so the response rate was complete. By gender, 40 respondents, or 66.67%, were male, and 20 respondents, or 33.33%, were female, so the sample was dominated by male civil servants, as can be seen in Table 1.

Table 1. Respondent characteristics by gender

Gender	Number of Respondents	Percentage (%)
Male	40	66.67
Female	20	33.33
Total	60	100.00

By level of education, the sample was dominated by respondents holding a bachelor's degree (S1), 27 respondents or 45.00%, followed by respondents whose highest education was senior high school (SMA), 21 respondents or 35.00 percent. Respondents holding a master's degree (S2) numbered 8, or 13.33%, respondents holding a diploma (D3) numbered 2, or 3.33%, and respondents holding a doctoral degree (S3) numbered 2, or 3.33%, as shown in Table 2 .

Table 2. Respondent characteristics by level of education

Highest Education	Number of Respondents	Percentage (%)
S3	2	3.33
S2	8	13.33
S1	27	45.00
D3	2	3.33
SMA	21	35.00
Total	60	100.00

By current position, the sample was dominated by administrative staff attached to the Secretariat, 22 respondents or 36.74%, followed by functional technical staff, 17 respondents or 28.39%, and competence-development staff, 10 respondents or 16.67%. Structural positions such as head of agency, secretary, and section heads were each represented by a single respondent across the agency's various fields, as shown in Table 3.

Table 3. Respondent characteristics by position

Position	Number of Respondents	Percentage (%)
Head of Agency	1	1.67
Secretary	1	1.67
Treasurer	3	5.01
Secretariat Staff	22	36.74

Position	Number of Respondents	Percentage (%)
Head, Functional Technical Division	1	1.67
Head, Competence Development Division	1	1.67
Head, Cooperation Division	1	1.67
Section Head, Finance and Equipment	1	1.67
Section Head, Programs	1	1.67
Functional Technical Staff	17	28.39
Competence Development Staff	10	16.67
Cooperation Staff	1	1.67
Total	60	100.00

4.2 Respondent Perceptions of the Performance Allowance, Productivity, and Welfare

Respondent perceptions of the performance allowance were generally favorable. A total of 48.33% of respondents agreed that the allowance they received matched their normal workload, and 45.00% agreed that the allowance matched their position class. On productivity, 51.67% of respondents agreed that after receiving the allowance they were able to take responsibility for the tasks assigned to them, and 50.00% agreed that after receiving the allowance they completed their work more deftly.

Table 4. Distribution of perceptions of employee welfare

Welfare Item	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)
Strongly Agree (%)	The allowance received each month meets daily needs	10.00	58.33	25.00
5.00	1.67	The allowance can be relied upon to meet living needs	1.67	61.67
21.67	11.67	3.33	The allowance received has improved employee welfare	6.67

Perceptions of welfare told a different story. For the item stating that the allowance received each month had been able to meet civil servants' daily needs, 58.33% of respondents disagreed, 25.00% were neutral, only 5.00 percent agreed, 1.67% strongly agreed, and 10.00% strongly disagreed. For the item stating that the allowance could be relied upon to meet civil servants' living needs, 61.67% disagreed, 21.67% were neutral, 11.67% agreed, 3.33% strongly agreed, and 1.67% strongly disagreed. For the item stating that the allowance received had improved civil servants' welfare, 53.33% disagreed, 28.33% were neutral, 10.00% agreed, 1.67% strongly agreed, and 6.67% strongly disagreed, as summarized in Table 4.

4.3 Instrument Quality

Validity testing, based on Pearson correlation, found that every item within the performance allowance variable (X) and every item within the combined productivity and welfare variable (Y) carried a significance value below 0.05, so all items were declared valid. Reliability testing found that the performance allowance variable achieved a Cronbach's Alpha of 0.891 across 10 items, and the combined productivity and welfare variable achieved a Cronbach's Alpha of 0.905 across 10 items, both of which exceed the 0.70 threshold, so both variables were declared reliable, as shown in Table 5.

Table 5. Reliability test results

Variable	Cronbach Alpha	Number of Items	Description
Performance Allowance (*X*)	0.891	10	Reliable
Productivity and Welfare (*Y*)	0.905	10	Reliable

4.4 Classical Assumption Tests

Table 6. Normality test results (One-Sample Kolmogorov-Smirnov Test)

Statistic	Value
N	60
Mean of residual	0.0000000
Standard deviation of residual	4.53823041
Test statistic (absolute)	0.114
Asymp. Sig. (2-tailed)	0.052

Table 6 show the normality test, using the one-sample Kolmogorov-Smirnov test on the unstandardized residual, produced a test statistic of 0.114 and an Asymp. Sig. (2-tailed), based on the Lilliefors significance correction, of 0.052, exceeding the 0.05 threshold, so the data used in this study were declared normally distributed.

Table 7. Linearity test results (ANOVA, Deviation from Linearity)

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Deviation from Linearity	544.325	18	30.240	1.803	0.060
Within Groups	670.812	40	16.770	-	-
Total	2,077.333	59	-	-	-

Table 7 show the linearity test, examined through the Deviation from Linearity row of the ANOVA table for productivity and welfare against the performance allowance, produced a mean square of 30.240 with 18 degrees of freedom, an F value of 1.803, and a significance value of 0.060, exceeding the 0.05 threshold, so the relationship between the dependent and independent variables was declared linear and significant.

Table 8. Heteroscedasticity Test Results (Glejser Test)

Model	B	Std. Error	Beta	t	Sig.
(Constant)	3.212	1.685	-	1.906	0.062
Performance Allowance (X)	0.014	0.052	0.035	0.270	0.788

Table 8 show the heteroscedasticity test, using the Glejser method with the absolute residual as the dependent variable, produced an unstandardized coefficient for the performance allowance of 0.014, a standard error of 0.052, a standardized beta of 0.035, a t-value of 0.270, and a significance value of 0.788, well above the 0.05 threshold, while the constant carried a significance value of 0.062. Both values exceeding 0.05 confirm that no heteroscedasticity was present in the data used in this study.

4.5 Path Analysis Results

4.5.1 Effect of the Performance Allowance on Productivity

Regression on sub-structure I produced a path coefficient of 0.566 with a significance value of 0.000. The first structural equation is Z = 12.010 + 0.548X + e1. The coefficient of determination (R-squared) was 0.320, meaning that 32.0% of the variance in productivity is explained by the performance allowance, while the remaining 68.0% is explained by other variables outside the model. Because the significance value of 0.000 is smaller than alpha of 0.05, the performance allowance is confirmed to have a positive and significant effect on productivity at BPSDA Papua Province, so H_1 is accepted.

4.5.2 Effect of the Performance Allowance and Productivity on Welfare
Regression on sub-structure II produced the equation Y = 1.104 + 0.079X + 0.181Z + e2. The coefficient of determination (R-squared) was 0.252, meaning that 25.2% of the variance in welfare is explained jointly by the performance allowance and productivity, while the remaining 74.8% is explained by other factors outside the model. The path coefficient from the performance allowance to welfare (*PYX*) was 0.173 with a significance value of 0.219, which exceeds 0.05, so the performance allowance is not shown to have a significant direct effect on welfare and H_2 is rejected. The path coefficient from productivity to welfare (*PYZ*) was 0.383 with a significance value of 0.008, which is smaller than 0.05, so productivity is confirmed to have a positive and significant effect on welfare and H_3 is accepted.

4.5.3 Indirect and Total Effects
The indirect effect of the performance allowance on welfare through productivity was computed by multiplying the two relevant path coefficients, *PZX* multiplied by *PZY*, giving 0.566 multiplied by 0.383, which equals 0.217, or 21.7 percent. The total effect of the performance allowance on welfare was computed as the direct effect plus the indirect effect, *PYX* plus (*PZX* multiplied by *PZY*), giving 0.173 plus 0.217, which equals 0.390, or 39.0%.

4.5.4 Sobel Test for Mediation
The Sobel test produced a Z-statistic of 2.438 with a probability value of 0.015. Because this probability value is smaller than 0.05, human resource productivity is confirmed to significantly mediate the relationship between the performance allowance and employee welfare, so H4 is accepted. The summary of all path coefficients and hypothesis test outcomes is presented in Table 9 .

Table 9. Summary of path coefficients and hypothesis test results

Path	Coefficient	t / Z value	Sig.	Decision
Performance Allowance -> Productivity (H_1)	0.566	6.108	0.000	Accepted
Performance Allowance -> Welfare (H_2, direct)	0.173	1.591	0.219	Rejected
Productivity -> Welfare (H_3)	0.383	-	0.008	Accepted
Indirect effect (Allowance -> Productivity -> Welfare)	0.217	-	-	-
Total effect (Allowance -> Welfare)	0.390	-	-	-
Sobel test for mediation (H_4)	-	2.438	0.015	Accepted

The t-test results confirm this pattern using the calculated t-table value of 1.670 at a 5 percent significance level. The calculated t-value for the effect of the performance allowance on productivity was 6.108, exceeding 1.670, confirming a significant effect, while the calculated t-value for the effect of the performance allowance on welfare was 1.591, smaller than 1.670, confirming the absence of a significant direct effect.

4.6 Discussion

4.6.1 The Performance Allowance and Human Resource Productivity

Productivity refers to the level of efficiency and effectiveness with which a person, team, or organization generates output or reaches a desired goal, reflecting how efficiently resources such as time, labor, and equipment are used. Siagian, as cited in Siagian (2009), similarly defines productivity as the capacity to obtain the maximum result from the sarana and prasarana available, producing the best possible output where feasible.

The path analysis and t-test results reported above show that the performance allowance has a significant effect on human resource productivity among civil servants at BPSDA. This finding is corroborated by respondent perceptions: 48.33% of respondents agreed that the allowance matched their normal workload, 45.00% agreed that it matched their position class, 51.67% agreed that after receiving the allowance they could be held accountable for their assigned tasks, and 50.00% agreed that they completed their work more deftly after receiving it.

This result is consistent with the view of productivity advanced by Siagian, as cited in Siagian (2009), and it matches the empirical of a significant effect of the allowance on the work productivity of civil servants at the Regional Secretariat of Pasaman Regency. It is likewise consistent with the wider evidence that compensation systems shape productivity across a range of organizational settings, from banking to retail to public administration (Ampong, 2024; Aditirangga, Mardikawanty, & Ependi, 2025; Ida, & Alamsyah, 2024; Kudratul, & Sarpan, 2024). Based on these results, BPSDA is expected to continue providing the performance allowance to its civil servants in a consistent and measured manner so that productivity continues to improve.

4.6.2 The Performance Allowance and Employee Welfare

Welfare refers to a condition in which a person experiences both inner tranquility and outer prosperity. Outer welfare can be achieved through decent wages, quality housing, quality household goods, recreational facilities, transportation, and asset ownership, while inner welfare can be achieved through self-acceptance, positive relationships with others, and personal growth (Amin & Yusra, 2021).

The path analysis and t-test results show that the performance allowance does not have a significant direct effect on employee welfare at BPSDA. This finding is corroborated by respondent perceptions: 58.33% of respondents disagreed that the allowance received each month had met their daily needs, and 61.67% disagreed that the allowance could be relied upon to meet their living needs.

This result runs against the view advanced by Busro, cited in Amin and Yusra (2021), that employee welfare should rise once employees receive an incentive or allowance tied to their performance. The likely explanation lies in the size of the allowance relative to the cost of living in Papua and in the attendance-based formula used to calculate it, which ties the payment closely to presence at work but leaves it more loosely tied to the broader financial pressures civil servants face, a pattern consistent with the more limited and context-dependent effect of incentive pay on outcomes documented in public-sector settings elsewhere (Triest, 2024). Based on these results, BPSDA is expected to raise the level of the performance allowance provided to its civil servants in a consistent and measured manner so that it can better support and improve civil servants' welfare.

4.6.3 The Performance Allowance and Welfare through Productivity

This study also examined how the performance allowance relates to employee welfare through the channel of human resource productivity. The t-test results show that the performance allowance has a significant indirect effect on welfare through productivity. This result is consistent with the finding reported by Hapsari (2023), that employee productivity has a positive effect on employee welfare, meaning that a rise in productivity is followed by a rise in welfare.

Drawing on these statistical results together, the performance allowance can be understood to exert a positive effect on both productivity and welfare at BPSDA, but the pathway to welfare runs mainly through productivity rather than through a direct income effect. When the allowance is granted consistently and in a measured way, civil servants at BPSDA appear to use it to raise their productivity and their welfare together. As productivity and welfare rise, civil servants are more likely to feel motivated and energized to carry out the core duties assigned to their respective positions, and as motivation rises, the agency's missions, goals, and development targets become more attainable.

5. Conclusions

5.1 Conclusion

Based on the results of the statistical testing and the discussion presented above, several conclusions can be drawn from the path analysis carried out through a simple linear regression approach. The performance allowance and human resource productivity carried a standardized coefficient of 0.626, indicating that the performance allowance has a significant effect on human resource productivity. The performance allowance and employee welfare carried a standardized coefficient of 0.232, indicating that the performance allowance does not have a significant direct effect on employee welfare. Human resource productivity and employee welfare carried a standardized coefficient of 0.336 in the test of the indirect effect of the performance allowance on welfare through productivity, indicating that the performance allowance has a significant indirect effect on employee welfare through human resource productivity as a mediating variable.

5.2 Research Limitations

This study is limited in several respects. The sample was confined to the 60 civil servants of a single agency, BPSDA Papua Province, so the findings cannot be generalized without caution to other agencies or other provinces with different fiscal capacities and organizational cultures. The cross-sectional design captures respondent perceptions at a single point in time and cannot rule out changes in the relationship between the performance allowance, productivity, and welfare across budget years. The reliance on a self-reported Likert-scale questionnaire, rather than objective performance or income records, introduces the possibility of common-method bias and social desirability in responses. Finally, the model examined only one mediating variable, productivity, and did not account for other plausible channels, such as job satisfaction, organizational commitment, or workload, that may also carry part of the allowance's effect on welfare.

5.3 Suggestions and Directions for Future Study

Future research would benefit from replicating this model across multiple regional agencies and provinces to test whether the mediating role of productivity holds under different fiscal and organizational conditions. A longitudinal design that tracks the same civil servants across several budget cycles would help clarify whether the weak direct effect of the allowance on welfare reflects a lasting pattern or a transitional adjustment period following the policy's introduction. Future studies could also incorporate additional mediating or moderating variables, such as job satisfaction, organizational commitment, or cost-of-living differences across regions, and could complement perception-based data with objective indicators such as attendance records, disbursement timeliness, and household expenditure data, to build a fuller picture of how performance-based compensation translates into civil service welfare in Papua and other high-cost, geographically challenging regions of Indonesia.

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Author Contributions

MSS contributed to the conceptualization, research design, data collection, data analysis, and manuscript preparation. HBU contributed to the development of the theoretical framework, methodology refinement, interpretation of results, and critical revision of the manuscript. RNN contributed to data validation, literature review, manuscript editing, and final approval of the article. All authors have read and approved the final version of the manuscript.

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