



Original Article

# The Effect of Democratic Leadership Style, Work Status, Compensation, and Work Environment on Employee Performance

Hotnauli Sinurat <sup>a,\*</sup>, Nikous Soter Sihombing <sup>b</sup>, Sarman Sinaga <sup>a</sup>, Jonner Lumban Gaol <sup>a</sup> and Mangasi Sinurat <sup>c</sup>

<sup>a</sup> Faculty of Economics, Universitas Darma Agung, Medan Baru, 20153 Kota Medan, Sumatera Utara, Indonesia; [sarmansinaga17@gmail.com](mailto:sarmansinaga17@gmail.com) (S.S); [jonnerlumbangaol20@gmail.com](mailto:jonnerlumbangaol20@gmail.com) (J.L.G)

<sup>b</sup> Faculty of Economics, Institut Bisnis Informasi Teknologi dan Bisnis, Medan Sunggal, 20119 Kota Medan, Sumatera Utara, Indonesia; [sihombingnikousitb@gmail.com](mailto:sihombingnikousitb@gmail.com) (N.S.S)

<sup>c</sup> Faculty of Economics and Business, Sekolah Tinggi Ilmu Ekonomi Bina Karya Tebing Tinggi, Padang Hulu, Tebing Tinggi, 20631 North Sumatra, Indonesia; [mangasisinurat621@gmail.com](mailto:mangasisinurat621@gmail.com) (M.S)

\* Correspondence: [hotnaulisinurat05695@gmail.com](mailto:hotnaulisinurat05695@gmail.com) (H.S)

**Citations:** Sinurat, H., Sihombing, N.S., Sinaga, S., Gaol, J.L. & Sinurat, M. (2023). The Effect of Democratic Leadership Style, Work Status, Compensation, and Work Environment on Employee Performance. *International Journal of Advances in Social Sciences and Humanities*, 2(1), 58-64.

**Academic Editor:** Afrizal Tjoetra.

Received: 18 November 2022

Accepted: 22 January 2023

Published: 28 February 2023

**Abstract:** This study aims to determine the influence of democratic leadership style, work status, compensation, and work environment on the performance of employees of the Secretariat of the Regional House of Representatives, Serdang Bedagai Regency. The research method used is quantitative data method, which functions to determine the focus of the study, select informants as data sources, assess data quality, analyze data, interpret data and draw conclusions from the findings. The results of this research with t test (partial) show that Democratic Leadership Style has no significant effect on Employee Performance. Working status has a significant effect to Employee Performance. Compensation has no significant effect to Employee Performance. Work Environment has a significant effect to Employee Performance. The results of the f-stat (simultaneous) test show that Democratic Leadership Style, Employment status, Compensation and Work environment have a significant effect (simultaneously) on Employee Performance.

**Keywords:** democratic leadership style; work status; compensation; work environment; employee performance.



Copyright: © 2023 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

## 1. Introduction

Employee performance is the result of a process that refers to and is measured over a certain period of time based on pre-determined provisions or agreements (Edison et al., 2016). In general, performance can be interpreted as the entire work process of an individual whose results can be used as a basis to determine whether the individual's work is good or otherwise (Roziqin, 2010). Based on the opinion of these experts, the definition of performance as a result of

work achieved by individuals who are adapted to the role or task of the individual in an organization that is associated with a measure of value or certain standards of the organization where the individual works.

The Secretariat of the DPRD Serdang Bedagai Regency is a government agency that is a place of research for writers. Where the Secretariat of the DPRD of Serdang Bedagai Regency is a supporting element of government affairs which is the authority of the provincial government in the field of administrative services and providing support for the duties and functions of the DPRD, the DPRD Secretariat is led by a Secretary who has the task of carrying out secretarial and financial administration, supporting the implementation of the duties and functions of the DPRD. as well as providing and coordinating the experts needed by the DPRD in carrying out its rights and functions as needed. Good performance is an important capital that must be owned by employees. Because it involves the provision of public services. Data From the survey results at the Secretariat of the DPRD Serdang Bedagai Regency, there are several things that are not optimal, this can be seen from every program or activity of the Serdang Bedagai Regency DPRD Secretariat employees in 2018 and 2019 which are still lacking in achieving the target.

Table 1. Recapitulation of employee programs/activities in Secretariat of the Serdang Bedagai Regency DPRD in 2019 and 2020

No.	Programs/Activities	Program Recapitulation		Target
		2018	2019	
1.	Upgrade program capacity of the people's representative institutions	70.12%	39.60%	85%
2.	Facilitation program legal product formulation DPRD	25.44%	45.69%	85%
3.	Service program administration	74.84%	74.34%	85%
4.	Upgrade program Employee Performance	70.60%	85.92%	85%
5.	Upgrade program apparatus discipline	35.69%	38.60%	85%
6.	Upgrade program apparatus resources	92.78%	90%	85%
7.	Planning program strategy and reporting of SKPD's financial performance achievements	74.84%	85.92%	85%

Source: Secretariat of DPRD Serdang Bedagai Regency

Table 1 displays the achievement of program performance and activities of the Serdang Bedagai Regency DPRD Secretariat in the general part of the 2018 and 2019 fiscal years is very clear that there has been a decline in performance, especially from the factor of the apparatus discipline improvement program which is still too below the target, while in the office administration service program it is also still have not reached the target. According to (Hasibuan 2008) democratic leadership style has the power to motivate subordinates, by increasing work motivation. The type of democratic leadership according to Nawawi (2005) is to place humans as the main and most important factor in every group/organization. This type is manifested by the dominance of behavior as a protector and savior and behavior tends to advance and develop the organization/group. In addition, it is also realized through leadership behavior as an executor (executive). Based on the author's pre-survey of the factors that affect the declining performance of the employees who work there, get the following results:

Table 2. Factors That Should Get More Attention From Agencies To Improve Employee Performance

No	Factor affecting	Frequency	Percentage
1	Work environment	5	10
2	Compensation	10	50
3	Employment status	4	20
4	Democratic Leadership Style	6	30

Source: Observations with 25 employees of the Secretariat of the DPRD Serdang Bedagai

Each employee who becomes a respondent is allowed to answer two factors that affect the performance of employees at the Secretariat of the DPRD Serdang Bedagai. Respondents in the pre-survey chose two answers because this study wanted to focus on the most influential factors on the performance of the Serdang Bedagai DPRD Secretariat employees. From the results of the pre-survey, Table 2 captures the two highest factors are compensation and democratic leadership style, each of which is 50% or as many as 10 respondents and 30% or as many as 6 respondents. The smallest factor that supports employee performance is work status, which is 20% or as many as 4 respondents. Employment status is the type of a person's position in doing work in a business unit or activity (Amalia & Woyanti 2020). Outsourcing in the Manpower Act and contract employees always feel anxious because of uncertainty about work status, then the psychological implications of employee performance will appear on the motivation of

contract employees. Future uncertainty on the other hand can increase the morale of contract employees to get more evaluations from companies/agencies.

Table 3. Working Status by Sub-Section

No	Position	Number/Population
1.	DPRD Secretary	1
2.	Head of Division	4
3.	Head of subsection	11
4.	Staff	16
Total		32

Source: Secretariat of DPRD Serdang Bedagai Regency

Table 3 shows the overall work status based on the sub-sections in the Serdang Bedagai DPRD Secretariat office. According to Subekhi & Jauhar (2012), employee compensation is any form of payment or reward given to employees and arising from the employment of the employee. Compensation is given as a reward for contributions that have been given by employees to companies/agencies. By providing compensation, it can improve employee performance. Compensation is considered important for employees because the amount of compensation reflects the value of remuneration for what has been done. The compensation given is not only based on the employee's position, but also based on the employee's monthly attendance. The provision of compensation is quite important for employees as remuneration for contributions made by employees. For this reason, compensation must be carried out fairly by the company/institution. The work environment is one of the most important components in employees completing their work. The work environment is everything that is around the workers who play an important role and can influence the workers themselves in carrying out the tasks given (Mauludin, 2018). The work environment includes working relationships formed between fellow employees and working relationships between subordinates and superiors as well as the physical work environment where employees work (Yuliantari & Martini, 2019).

## 2. Literature Reviews

### 2.1. Democratic Leadership Style

Leadership style is a pattern of behavior that is engaged in by leaders when dealing with employees. The effectiveness of the leadership style depends on the organizational situation (Omolayo et al 2013)in (Ismail et al 2010). Leadership style is an approach that provides direction, implements plans, and motivates people (Northouse 2021). Leaders must identify the best leadership style to manage their employees in an organization. In business, leadership is closely related to performance. Effective leaders are those who are able to improve their company. Leadership is very important for managing employees and the organization. The suitability of the leadership style to be used in an organization based on the business sector in which they operate.

### 2.2. Working Status

The status of the workers in question are Permanent Employees bound by PKWTT (Indefinite Time Work Agreement) and Non-Permanent Employees bound by PKWT (Specific Time Work Agreement). PKWTT or permanent employees are employees who already have a contract or work agreement with the company for an indefinite period of time (permanent).

### 2.3 Compensation

Suparyadi (2015) states that compensation is the overall compensation received by employees as a reward for contributions made to the organization, both financial and non-financial (Hasibuan 2008) states that compensation is all income in the form of money, goods directly or indirectly received by employees as compensation for services provided to the company. According to (Dessler et al 2015) employee compensation is all forms of payment or gifts given to employees and arises from their work and has two components: direct payments (in the form of wages, salaries, incentives, commissions, and bonuses), and indirect payments. (in the form of financial benefits such as insurance and vacation money paid by the company).

### 2.4 Work Environment

According to (AM et al 2020) the work environment is everything that is around employees and can affect the performance of the tasks assigned to them, for example with the presence of air conditioner (AC), adequate lighting and so on. According to (Tampubolon & Purba 2021)about the definition of the work environment is the entire tooling

and materials encountered, the surrounding environment in which a person works, work methods, and work arrangements both as individuals and as a group.

## 2.5 Employee Performance

Performance is defined as what employees do or don't do. Employee performance is what influences how much they contribute to the organization. According to (Wibowo & Alfen 2014) Performance is the implementation of the plans that have been prepared. Performance implementation is carried out by human resources who have the ability, competence, motivation, and interests. How the organization values and treats its human resources will affect its attitudes and behavior in carrying out performance.

## 3. Materials and Methods

The data collection technique is carried out by means of questionnaires or questionnaires, which are a number of questions or written statements about factual data or opinions related to the respondent, which are considered facts or truths that are known and need to be answered by the respondent. Interview is a data collection technique if the researcher wants to conduct a preliminary study to find problems that must be investigated, but also if the researcher wants to know things from the respondents more deeply. Literature study, according to (Moh 2013) is a data collection technique by conducting a review study of books, literatures, notes, and reports that have to do with the problem being solved.

## 4. Results

### 4.1. Normality Test Data

A good regression model is one that has a normal distribution or is close to normal. According to (Ghozali 2016), the normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution. In this study, the researcher used the Kolmogorof-Smirnof (KS) statistical test. The concept in this test is to compare the distribution of the data (which will be tested for normality) with the normal distribution.

Table 4. Normality Test One-Sample Kolmogrow-Smirnov

		Unstandardized Residual	
N		38	
Normal Parameters, b	mean	0.000000	
	Std. Deviation	1.42846520	
Most Extreme Differences	Absolute	0.102	
	Positive	0.102	
	negative	-0.081	
Test Statistics		0.102	
asypm. Sig. (2-tailed)		0.200 <sup>c,d</sup>	
Monte Carlo Sig. (2-tailed)	Sig.	0.868 <sup>e</sup>	
	99% Confidence Interval	Lower Bound	0.727
		Upper Bound	1.000

a. Test distribution is Normal.

Table 4 shows that the significance value of Monte Carlo Sig. of all variables is 0,868 If the significance is more than 0.05, then the residual value is normal, so it can be concluded that all variables are normally distributed.

### 4.2. Multicollinearity Test

The multicollinearity test aims to determine whether there is a correlation between the independent variables in the regression model. The multicollinearity test in this study is seen from the tolerance value or variance inflation factor (VIF).

Table 5. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Democrat_Leadership_Style_X1	0.154	6.493
Status_Work_X2	0.811	1,233
Compensation_X3	0.233	4.299
Environment_Work_X4	0.412	2.426

a. Dependent Variable: Employee Performance (Y)

Table 5 describes that the tolerance value of the Democratic Leadership Style (X1) is 0.154, Work Status (X2) is 0.811, Compensation (X3) is 0.233 and the Work Environment (X4) is 0.412 where all of them are greater than 0.10 while the VIF value of Democratic Leadership Style (X1) is 6.493, Work Status (X2) is 1.233 Compensation (X3) is 4.299 and Work Environment (X4) is 2.426, all of which are smaller than 10. Based on the results of the above calculation, it can be seen that the tolerance value of all variables independent variables are greater than 0.10 and the VIF value of all independent variables is also smaller than 5 so that there is no correlation symptom in the independent variables. So, it can be concluded that there is no symptom of multicollinearity between independent variables in the regression model.

### 4.3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether from the regression model there is an inequality of variance from the residuals of one observation to another observation. A good regression model is one with homoscedasticity or no heteroscedasticity.

Table 6. Multicollinearity Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t-stat	Sig.
	B	Std. Error	Beta		
	(Constant)	-0.109	2.023		
Democrat_Leadership_Style_X1	-0.108	0.160	-0.291	-0.679	0.502
Status_Work_X2	0.053	0.073	0.135	0.724	0.474
Compensation_X3	0.125	-0.124	0.349	1.001	0.324
Environment_Work_X4	-0.030	0.119	-0.066	-0.251	0.803

a. Dependent Variable: Abs\_Res

Table 6 demonstrates the significance value of the Democratic Leadership Style (X1) is greater than 0.05 (5%) that is 0.502, the test of the significance value of Work Status (X2) is greater than 0.05 (5%) which is 0.474, the test of the significance value of Compensation (X3) is greater than 0.05 (5%) which is 0.324, and the significance value of the Work Environment (X4) is greater than 0.05 (5%) which is 0.803, so there is no indication of heteroscedasticity.

### 4.4 Hypothesis Testing

Multiple linear regression testing explains the role of Democratic Leadership Style (X1), Work Status (X2), Compensation (X3) and Work Environment (X4) variables on employee performance (Y).

Table 7. Result of Multiple Linear Regression Model

	Unstandardized Coefficients		Standardized Coefficients	t-stat	Sig.
	B	Std. Error	Beta		
(Constant)	18,856	3,783		4.984	0.000
Democrat_Leadership_Style_X1	0.023	0.299	0.032	0.076	0.940
Status_Work_X2	0.248	0.137	0.330	3.812	0.029
Compensation_X3	0.054	0.233	0.079	0.233	0.017
Environment_Work_X4	0.162	0.222	0.186	2,729	0.047

a. Dependent Variable: Employee Performance (Y)

The results of the t-test show that from the description it can be seen that  $t\text{-stat} (0.076) < t\text{-table} (2.032)$ , as well as the significance value of  $0.940 > 0.05$  then it can be concluded that the hypothesis first rejected, it means Variable Democratic Leadership Style (X1) no significant effect on Employee Performance Variable (Y). The results of the t-test show that from the description it can be seen that  $t\text{-stat} (3,812) > t\text{-table} (2,032)$ , and the significance value is  $0.029 < 0.05$ , it can be concluded that the second hypothesis is accepted, meaning that Variable Working status (X2) significant effect to Variable Employee Performance (Y). The results of the t-test show. From the description it can be seen that  $t\text{-stat} (0.233) < t\text{-table} (2,032)$ , and the significance value is  $0.017 < 0.05$ , it can be concluded that the third hypothesis is rejected, meaning that Variable Compensation (X3) no significant effect to Variable Employee Performance (Y). The results of the t-test show. From the description it can be seen that  $t\text{-stat} (2,729) > t\text{-table} (2,032)$ , and the significance value is  $0.047 < 0.05$ , it can be concluded that the fourth hypothesis is accepted, meaning that Variable Work Environment (X4) significant effect to Variable Employee Performance (Y).

#### 4.5 Coefficient of Determination (R<sup>2</sup>)

The coefficient of determination is used to see how much the independent variable contributes to the dependent variable. In other words, the value of the determinant coefficient is used to measure the contribution of the studied variables X and Y as the dependent variables.

Table 8. Result of Coefficient Determination (R<sup>2</sup>)

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.332a	.410	.301		1.513	2,358

a. Predictors: (Constant), Work\_Environment\_X4, Work\_Status\_X2, Compensation\_X3, Democratic\_Leadership\_Style\_X1

b. Dependent Variable: Employee Performance (Y)

Table 8 shows that the Democratic Leadership Style Variable (X1), Work Status Variable (X2), Compensation (X3) and Work Environment (X4), can explain the employee performance variable (Y) of 30.1%, the remaining 69.9% (100% - 30.1%) is explained by other variables outside this research model. Such as work motivation, job satisfaction and employee productivity. The t statistic test is also known as the individual significance test. This test shows how far the influence of the independent variable partially on the dependent variable. Also, F test test basically shows whether all the independent variables included in this model have a joint effect on the dependent variable.

Table 9. Result of ANOVA Testing

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.369	4	2.342	10,240	0.009 <sup>b</sup>
	Residual	75,499	33	2.288		
	Total	84,868	37			

a. Dependent Variable: Employee Performance (Y)

Table 9 shows the F-table value is 2.66. From the description it can be seen that  $F\text{-stat} (10,240) > F\text{-table} (2.66)$ , and a significance value of  $0.009 < 0.05$ , it concludes that the fifth hypothesis is accepted, meaning that Variable Democratic Leadership Style (X1), Variable Employment status (X2), Variable Compensation (X3), Variable Work environment (X4), has a significant effect (simultaneously) on the Employee Performance Variable (Y).

## 5. Conclusion

Secretariat of the Serdang Bedagai Regional People's Representative Council always maintain the Work Environment, Work Status, Compensation and this research should be a strategy or consideration for the Secretariat of the Serdang Bedagai Regional House of Representatives. pay attention to the work environment, work status, compensation in carrying out work activities. This means that the Secretariat of the Serdang Bedagai Regional House of Representatives maintains the Work Environment, Work Status, Good Compensation and Democratic Leadership Style. It aims to improve employee performance at the secretariat of the Serdang Bedagai Regional People's Representative Council. Contribute thoughts, information and consideration to the Secretariat of the Serdang Bedagai Regional House of Representatives in determining policies, in making strategies for Work Environment, Work Status, Compensation and Democratic Leadership Style so that agencies are able to improve Employee Performance. Efforts

to approach agencies that are more towards employees, so that employees always feel comfortable and motivated so that they can improve and improve their performance.

**Author Contributions:** Conceptualization, H.S., N.S.S. and S.S.; methodology, S.S., J.L.G. and M.S.; software, H.S.; validation, H.S., N.S.S., S.S., J.L.G. and M.S.; formal analysis, H.S.; investigation, H.S. and N.S.S.; resources, H.S.; data curation, H.S. and N.S.S.; writing—original draft preparation, H.S., N.S.S. and S.S.; writing—review and editing, H.S., N.S.S., S.S., J.L.G. and M.S.; visualization, J.L.G.; supervision, N.S.S. and S.S.; project administration, N.S.S. and S.S.; funding acquisition, H.S. All authors have read and agreed to the published version of the manuscript.

**Funding:** This research received no external funding.

**Institutional Review Board Statement:** Not applicable.

**Informed Consent Statement:** Informed consent was obtained from all subjects involved in the study.

**Data Availability Statement:** Not applicable.

**Acknowledgments:** The author would like to thank Universitas Darma Agung, Sumatera Utara, Indonesia for supporting this research and publication. We would also like to thank the reviewers for their constructive comments and suggestions.

**Conflicts of Interest:** The authors declare no conflict of interest.

## References

- AM, E. N., Affandi, A., Udobong, A., & Sarwani, S. (2020). Implementation of human resource management in the adaptation period for new habits. *International Journal of Educational Administration, Management, and Leadership*, 1(1), 19–26. <https://doi.org/10.51629/ijeamal.v1i1.4>
- Amalia, D., & Woyanti, N. (2020). The Effect of Business Unit, Production, Private Investment, and Minimum Wage on the Labor Absorption in the Large and Medium Industry 6 Provinces in Java Island. *Media Ekonomi Dan Manajemen*, 35(2), 206–217.
- Bidmeshgipour, M. (2012). *The Relation of Strategic Human Resource Practices with Firm Performance: Considering the Mediating Role of Resource Based View*. Universiti Teknologi Malaysia.
- Dessler, G., Cole, N. D., & Chhinzer, N. (2015). *Management of human resources: The essentials*. Pearson London.
- Edison, E., Anwar, Y., & Komariah, I. (2016). Human resource management: Strategies and changes in order to improve employee and organizational performance. *Bandung: Alfabeta*.
- Ghozali, I. (2016). *Multivariate analysis application with IBM SPSS 23 program*. Semarang: Diponegoro University Publishing Agency.
- Hasibuan, M. S. P. (2008). Human Resource Management, Revised Edition. *Bumi Aksara, Jakarta*.
- Mauludin, H. (2018). The Influence of Leadership on Employee Performance with Organizational Culture and Work Motivation as Intervening Variables. *Scientific Research Journal*, 6(7), 43–49. <https://doi.org/10.31364/SCIRJ/v6.i7.2018.P0718542>
- Moh, N. (2013). Research methods. *Jakarta: Ghalia Indonesia*.
- Nawawi, H. (2005). Human Resource Management for competitive business. *BPFE UGM, Yogyakarta*.
- Northouse, P. G. (2021). *Leadership: Theory and practice*. Sage publications.
- Omolayo, B. O., Owolabi, A. B., Omole, O. C., & Ekundayo, K. D. (2013). Influence of Job Satisfaction and Organization Work Climate on Job Performance. *Scottish Journal of Arts, Social Sciences and Scientific Studies*, 10(1), 39–50.
- Roziqin, M. Z. (2010). *Job satisfaction*. Malang: Averroes Press.
- Subekhi, A., & Jauhar, M. (2012). Introduction to Human Resource Management. *Jakarta: Prestasi Pustaka Jakarta*.
- Suparyadi, H. (2015). *Human Resource Management-Creating Competitive Advantage Based on HR Competency*. Yogyakarta.
- Tampubolon, H., & Purba, B. (2021). The Effect Of Work Stress And Work Conflict On The Performance Of Employees Of The Karo District Disaster Management Agency. *International Journal of Economic, Technology and Social Sciences*, 2(1), 133–140.
- Wibowo, A., & Alfen, H. W. (2014). Identifying macro-environmental critical success factors and key areas for improvement to promote public-private partnerships in infrastructure: Indonesia's perspective. *Engineering, Construction and Architectural Management*.
- Yuliantari, P. D., & Martini, I. A. O. (2019). Implementation Of Human Resource Development To Improve Employee Performance. *International Research Journal Of Management, IT And Social Sciences*, 6(6), 194–200.