

THE EFFECT OF DIGITAL COMPETENCE, NON-PHYSICAL WORK ENVIRONMENT, AND WORK ENGAGEMENT ON EMPLOYEE PERFORMANCE AT THE MEDAN CITY MANPOWER AGENCY

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Abstract

The organizational performance of the Medan City Manpower Agency is reflected in the effectiveness of its services regarding industrial relations supervision and manpower administration. This study employed an associative approach, which aims to identify the relationship or connection between one variable and another (Sugiyono, 2021). The method employed was quantitative. The data used in this study included both primary and secondary data. The research was conducted at the Medan City Manpower Office, located at Jl. KH. Wahid Hasyim No. 14, Medan (20154), North Sumatra Province. The population for this study consists of all 39 civil servants (PNS) at the Medan City Manpower Agency. The study focuses on the following variables: digital competence, the non-physical work environment, work engagement, and employee performance. A non-probability sampling technique—specifically, saturated sampling—was employed; consequently, the entire population (all 39 civil servants at the Medan City Manpower Agency) served as the sample. The use of saturated sampling aims to obtain more representative and accurate data while minimizing the likelihood of sampling error. Thus, the sample size for this study is 39 respondents, comprising all active employees at the Medan City Manpower Agency. The research results indicate that Digital competence has a positive and significant effect on employee performance at the Medan City Manpower Office. The non-physical work environment does not have a significant effect on employee performance at the Medan City Manpower Office; however, job stability has a positive and significant effect on employee performance at the Medan City Manpower Office. Digital competence, the non-physical work environment, and job stability simultaneously have a significant effect on employee performance at the Medan City Manpower Office.

Keywords: Digital competence, non-physical work environment, work engagement, employee performance

INTRODUCTION

The rapid advancement of information and communication technology in today's digital era has brought about fundamental changes across various aspects of life, including the workplace and government administration. Public sector organizations—particularly government agencies—are required to continuously adapt to these dynamic changes to enhance the quality of service provided to the public. With the evolution of information technology, many public service sectors are now adopting digital-based applications to streamline service processes and improve efficiency. One local government agency directly responsible for public service delivery is the Manpower Agency. Under Government Regulation Number 18 of 2016 concerning Regional Apparatus, this agency serves as the implementing body for government affairs in the manpower sector that have been devolved to the regional level. Institutionally, the Medan City Manpower Agency is tasked with formulating policies, as well as coordinating, fostering, and overseeing government affairs falling under the city's jurisdiction. Employee performance is essentially the level of results achieved by an individual in carrying out specific tasks within a given timeframe, measurable in terms of both quality and quantity against established standards. High performance reflects an agency's sound accountability and serves as tangible proof of its commitment to delivering excellent service to the public. The organizational performance of the Medan City Manpower Agency is reflected in the effectiveness of its services regarding industrial relations supervision and manpower administration.

The Public Satisfaction Index (IKM) indicator regarding services also saw a decline, dropping from 85.5% in 2023 to 84.2% in 2024 and 82.8% in 2025. This indicates a decrease in public satisfaction with the services provided by the Manpower Agency, necessitating an evaluation of service quality. Meanwhile, the indicator for Company Reporting Compliance (Mandatory Reporting) showed a decline from 94.8% in 2023 to 93.5% in 2024 and 91.2% in 2025. Although this remains the highest-performing indicator compared to others, the actual achievement has not yet reached the 100% target and shows a downward trend. This phenomenon indicates that despite the provision of digital infrastructure, significant internal challenges regarding human resources persist. Theoretically, this low level of achievement is influenced by three main factors: uneven digital competence, a non-physical work environment requiring revitalization to boost motivation, and stagnant levels of employee work engagement. These findings prompted the researchers to further examine factors supporting improved performance outcomes—specifically, to identify the extent to which digital competence, the non-physical work environment, and work engagement contribute to driving stable improvements in performance.

Based on the pre-survey results presented in the table, it is evident that employees generally rate their performance favorably across aspects such as work quality, work quantity, timeliness, effectiveness, and work commitment. These findings indicate a positive employee perception regarding work execution, although there remains room for improvement and enhancement in certain areas. In today's digital era, information spreads at an unprecedented pace; any procedural error, service delay, or policy inconsistency within the Manpower Agency can quickly become public knowledge through various digital platforms, thereby placing increasing external pressure on employee performance. Digital public service applications serve as a primary means to accelerate interaction between the government and the public, as well as to enhance service transparency and accountability. In this context, digital competence is a crucial factor determining the ability of human resources to meet the demands of the digitalization era; civil servants are expected not only to operate technological devices but also to effectively and efficiently integrate digital skills into every aspect of their work processes. Digital competence refers to an individual's ability to use digital technology effectively, efficiently, and responsibly to support the execution of tasks and work activities.

Digital competence refers to an employee's ability to utilize information technology to enhance productivity and work quality (Larasshati & Priyastiwi, 2024). Meanwhile, Siregar et al. (2025) state that digital competence encompasses not only technical skills but also cognitive and social abilities regarding the optimal use of technology within the work environment. Digital competence is no longer merely a source of competitive advantage; it has evolved into a fundamental necessity for the entire workforce. This aligns with findings by Elisnawati et al. (2025), which demonstrate that digital competence significantly impacts employee performance in government agencies, as well as research by Soffi et al. (2025), which emphasizes that developing digital competence is a key strategy for navigating the era of digitalization in public sector organizations. Digital competence encompasses the ability to use information and communication technology effectively, think critically about digital information, collaborate in digital environments, and maintain data security and privacy (Vuorikari et al., 2022). Employees with high digital competence tend to be more adaptive and innovative, and are capable of making optimal contributions within increasingly digitized work environments.

On the other hand, shifts in work paradigms have given rise to the increasingly relevant concept of the non-physical work environment. This term refers to the psychological, social, and emotional conditions experienced by employees while performing their duties—independent of their physical presence in an office (Sedarmayanti, 2017). In a digital context, the non-physical work environment encompasses interpersonal relationships formed via digital platforms, organizational culture reflected in virtual interactions, social support received through online communication, and a work climate conducive to personal growth and development. According to Afandi (2021), the non-physical work environment comprises all aspects related to work relationships—whether with superiors or colleagues—that can influence employee morale and performance. Meanwhile, Sari et al. (2024) state that the non-physical work environment includes communication, teamwork, and the work atmosphere, all of which can significantly impact employee motivation and performance. Recent studies indicate that a positive non-physical work environment is significantly correlated with various indicators of organizational performance. A non-physical work environment that is supportive, collaborative, and focused on employee well-being has been shown to enhance motivation and job satisfaction while reducing turnover intention (Novitasari et al., 2021).

Work engagement is a construct describing the extent to which employees feel involved, enthusiastic, and committed to their work and their organization. Schaufeli et al. (2021) define work engagement as a positive, work-related mental state characterized by vigor, dedication, and absorption. Employees with high levels of work engagement tend to exhibit behaviors that go beyond role requirements (extra-role behavior), demonstrate greater

creativity, and contribute positively to the overall organizational climate. A major challenge facing modern organizations is how to maintain and enhance employee work engagement amidst the increasingly complex dynamics of changing work environments. Research conducted by Gallup (2023) reveals that, globally, only about 23% of employees are truly engaged in their work, while the remainder are either disengaged or even actively disengaged. The low level of work engagement identified in this pre-survey has serious implications for performance, as empirically demonstrated by recent studies showing that employee engagement has a positive and significant impact on employee performance (Paradoks, 2025; Fikri et al., 2024).

Based on the research background outlined above, the problems in this study can be identified as follows:

1. The digital competence of employees at the Medan City Manpower Agency remains low, resulting in difficulties for the majority of staff in operating the agency's information systems and adapting to technological advancements.
2. The non-physical work environment is not yet fully conducive, characterized by working relationships, organizational communication, and work cultures that lack harmony and productivity.
3. Employee work engagement levels remain weak, reflected in a lack of enthusiasm, dedication, and commitment in carrying out duties.
4. Employee performance has consistently declined over the past three years, a trend presumably influenced by the three aforementioned factors.

Referring to the background of the problem, research formulation, and objectives, the researcher can state the following hypotheses:

H1: Digital competence has a positive and significant effect on employee performance at the Medan City Manpower Office.

H2: The non-physical work environment has a positive and significant effect on employee performance at the Medan City Manpower Office.

H3: Work engagement has a positive and significant effect on employee performance at the Medan City Manpower Office.

H4: Digital competence, the non-physical work environment, and work engagement simultaneously have a positive and significant effect on employee performance at the Medan City Manpower Office.

METHOD

This study employed an associative approach, which aims to identify the relationship or connection between one variable and another (Sugiyono, 2021). The method employed was quantitative. The data used in this study included both primary and secondary data. The research was conducted at the Medan City Manpower Office, located at Jl. KH. Wahid Hasyim No. 14, Medan (20154), North Sumatra Province. The selection of this location was based on several considerations: the existence of empirical issues relevant to the research variables—as evidenced by pre-survey and agency performance data—and the agency's genuine need for research findings to serve as a basis for evaluation and improvement, alongside ease of access and the agency's support for the research process. The study was carried out over a period of one month, spanning from March 2026 to July 2026. Research activities comprised several stages, including the preparation of research instruments, questionnaire distribution, data collection, data processing and analysis, and the compilation of the final research report.

The population for this study consists of all 39 civil servants (PNS) at the Medan City Manpower Agency. The study focuses on the following variables: digital competence, the non-physical work environment, work engagement, and employee performance. A non-probability sampling technique—specifically, saturated sampling—was employed; consequently, the entire population (all 39 civil servants at the Medan City Manpower Agency) served as the sample. The use of saturated sampling aims to obtain more representative and accurate data while minimizing the likelihood of sampling error. Thus, the sample size for this study is 39 respondents, comprising all active employees at the Medan City Manpower Agency.

RESULTS AND DISCUSSION

Results

Validity and Reliability Test Results

Table 1. Results of the Validity Test of Employee Performance, Digital Competence, Non-Physical Work Environment, Work Engagement

Statement Item	r-count	r-table	Description
EP1	0,420	0,361	Valid
EP2	0,761	0,361	Valid
EP3	0,707	0,361	Valid
EP4	0,807	0,361	Valid
EP5	0,640	0,361	Valid
EP6	0,786	0,361	Valid
EP7	0,639	0,361	Valid
EP8	0,621	0,361	Valid
EP9	0,668	0,361	Valid
EP10	0,665	0,361	Valid
DC1	0,843	0,361	Valid
DC2	0,668	0,361	Valid
DC3	0,569	0,361	Valid
DC4	0,607	0,361	Valid
DC5	0,485	0,361	Valid
DC6	0,700	0,361	Valid
DC7	0,617	0,361	Valid
DC8	0,760	0,361	Valid
DC9	0,700	0,361	Valid
DC10	0,763	0,361	Valid
NPWE1	0,431	0,361	Valid
NPWE2	0,665	0,361	Valid
NPWE3	0,564	0,361	Valid
NPWE4	0,656	0,361	Valid
NPWE5	0,584	0,361	Valid
NPWE6	0,424	0,361	Valid
NPWE7	0,661	0,361	Valid
NPWE8	0,521	0,361	Valid
NPWE9	0,570	0,361	Valid
NPWE10	0,447	0,361	Valid
WE1	0,384	0,361	Valid
WE2	0,442	0,361	Valid
WE3	0,629	0,361	Valid
WE4	0,628	0,361	Valid
WE5	0,453	0,361	Valid
WE6	0,627	0,361	Valid
WE7	0,717	0,361	Valid
WE8	0,641	0,361	Valid
WE9	0,733	0,361	Valid
WE10	0,715	0,361	Valid

Source: SPSS version 25 (2026)

Referring to Table 1, it is known that the corrected item total correlation value is > 0.361 , so all statement items are stated to be valid/legitimate.

Table 2. Results of the Reliability Test of Employee Performance, Digital Competence, Non-Physical Work Environment, Work Engagement

Variable	Cronbach Alpha	Description
Digital Competence	0.862	Reliable
Non-Physical Work Environment	0,748	Reliable
Work Engagement	0,801	Reliable
Employee Performance	0,865	Reliable

Source: SPSS version 25 (2026)

Referring to Table 2, it is known that the Cronbach's alpha value for all variables is > 0.60 , so all variables are stated to be reliable.

Normality Test Results

Table 3. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		139
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.43926034
Most Extreme Differences	Absolute	.130
	Positive	.130
	Negative	-.048
Test Statistic		.130
Asymp. Sig. (2-tailed)		.095 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: SPSS version 25 (2026)

Referring to Table 3. above, it is known that the results of the Kolmogorov-Smirnov test have a significance value of $0.095 > 0.05$ so it can be concluded that the data tested is normally distributed.

Multicollinearity Test Results (Tolerance and VIF)

Table 4. Multicollinearity Test Results

		Coefficients ^a		Collinearity Statistics			
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Tolerance	VIF
1	(Constant)	-28.591		-3.646	.001		
	Digital Competence	.474	.225	3.161	.003	.954	1.049
	Non-Physical Work Environment	.020	.011	.132	.895	.657	1.523
	Work Engagement	1.218	.846	9.769	.000	.645	1.551

a. Dependent Variable: Employee Performance

Source: SPSS version 25 (2026)

Referring to Table 4, it is known that the results of the multicollinearity test for the variables digital competence, non-physical work environment and work engagement have a tolerance value > 0.10 and $VIF < 10$, so this study is declared free from multicollinearity problems.

Heteroscedasticity Test Results (Glejser)

Table 5. Glejser Heteroscedasticity Test Results

		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta		
1	(Constant)	-1.245	4.811		-.259	.797
	Digital Competence	.108	.092	.195	1.168	.251
	Non-Physical Work Environment	-.084	.092	-.183	-.910	.369
	Work Engagement	.033	.077	.088	.432	.668

a. Dependent Variable: Abs_res

Source: SPSS version 25 (2026)

Referring to Table 5. above, the results of the Glejser test above, the significance value of the three independent variables is digital competence, non-physical work environment and work engagement > 0.05, so it can be concluded that there is no heteroscedasticity.

Multiple Linear Regression Test Results

Table 6. Multiple Linear Regression Test Results

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Model						
1	(Constant)	-28.591	7.841		-3.646	.340
	Digital Competence	.474	.150	.225	3.161	.003
	Non-Physical Work Environment	.020	.150	.011	.132	.895
	Work Engagement	1.218	.125	.846	9.769	.000

Source: SPSS version 25 (2026)

Referring to Table 6, the regression equation for the above values is:

$$Y = -28,591 + 0,474X_1 + 0,020X_2 + 1,218X_3 + e$$

1. The regression equation indicates a constant (a) of -28.591, meaning that if the variables of Digital Competence, Non-Physical Work Environment, and Work Engagement remain constant, the value of employee performance is -28.591.
2. The regression equation shows a regression coefficient (b1) of 0.474, indicating that a one-unit increase in Digital Competence results in a 0.474 increase in performance.
3. The regression equation shows a regression coefficient (b2) of 0.020, indicating that a one-unit increase in Non-Physical Work Environment results in a 0.020 increase in performance.
4. The regression equation shows a regression coefficient (b2) of 1.218, indicating that a one-unit increase in Work Engagement results in a 1.218 increase in performance.

Hypothesis Testing

Partial Test Results (t-Test)

Table 7. Partial Test Results (t-Test)

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Model						
1	(Constant)	-28.591	7.841		-3.646	.340
	Digital Competence	.474	.150	.225	3.161	.003
	Non-Physical Work Environment	.020	.150	.011	.132	.895
	Work Engagement	1.218	.125	.846	9.769	.000

Source: SPSS version 25 (2026)

Referring to Table 7, it is known that the independent variables influence each other on the dependent variable.

1. Hypothesis 1 Test (The Effect of Digital Competence on Employee Performance).

The results of the first test regarding the effect of Digital Competence on employee performance yielded a t-calculated value of 3.161. With a significance level of 0.003 (< 0.05), the null hypothesis (H_0) was rejected and the alternative hypothesis (H_a) was accepted. This means the research hypothesis states that Digital Competence has a positive and significant effect on the performance of employees at the Medan City Manpower Agency.

2. Hypothesis 2 Test (The Effect of the Non-Physical Work Environment on Employee Performance)

The results of the second test regarding the effect of the non-physical work environment on employee performance yielded a t-calculated value of 0.132. With a significance level of 0.895 (> 0.05), the null hypothesis (H_0) was accepted and the alternative hypothesis (H_a) was rejected. This means the research hypothesis states that the non-physical work environment does not have a significant effect on employee performance.

3. Hypothesis 3 Test (The Effect of Work Engagement on Employee Performance)

The results of the third test regarding the effect of Work Engagement on employee performance yielded a t-calculated value of 9.769. With a significance level of 0.000 (< 0.05), the null hypothesis (H_0) was rejected and the alternative hypothesis (H_a) was accepted. This means the research hypothesis states that Work Engagement has a positive and significant effect on employee performance.

Simultaneous Test Results (F-Test)

Table 8. Simultaneous Test Results (F-Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	386.874	3	128.958	57.339	.000 ^b
	Residual	78.716	35	2.249		
	Total	465.590	38			

a. Dependent Variable: Employee Performance
b. Predictors: (Constant), Digital competence, non-physical work environment, work engagement

Source: SPSS version 25 (2026)

Based on the table above, the calculated F-value (F-count) is 57.339, while the F-table value at $\alpha = 0.05$ with $n = 35$ is 2.87; thus, $F\text{-count} > F\text{-table}$ ($57.339 > 2.87$). Consequently, it can be concluded that the variables of Digital Competence (X1), Non-physical Work Environment (X2), and Work Engagement (X3) simultaneously exert a positive and significant influence on Employee Performance at the Medan City Manpower Agency. However, when considering the magnitude of partial influence, Work Engagement (X3) emerges as the aspect requiring primary attention, as it possesses the highest regression coefficient and Beta values compared to the other variables. Furthermore, enhancing Digital Competence (X1) also warrants attention, while the Non-physical Work Environment (X2) requires improvement as a supporting factor for achieving optimal employee performance. Thus, improvements can be implemented across all three variables in stages, prioritizing Work Engagement first, followed by Digital Competence, while also addressing the Non-physical Work Environment.

Determination Test Results

Table 9. Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912 ^a	.831	.816	1.49967

a. Predictors: (Constant), Digital competence, non-physical work environment, work engagement

Source: SPSS version 25 (2026)

Based on the table above, the coefficient of determination (Adjusted R-Square) is 0.816; this indicates that 81.6% of the variation in employee performance can be explained by the independent variables—Digital Competence (X1), Non-Physical Work Environment (X2), and Work Engagement (X3)—while the remaining 18.4% is attributable to other factors not addressed in this study.

Discussion

The Effect of Digital Competence on the Employee Performance

Based on the results of partial hypothesis testing, Digital Competence has a positive and significant effect on employee performance at the Medan City Manpower Agency. This is evidenced by a regression coefficient of 0.474, a t-statistic of 3.161, and a significance value of 0.003 (which is less than 0.05). Thus, the first hypothesis—stating that Digital Competence has a positive and significant effect on employee performance—is accepted. These results align with the work environment at the Medan City Manpower Agency, where the execution of duties involves the use of various digital tools and systems to support administrative tasks, data management, information dissemination, and public service delivery. Employees' ability to utilize technology is a key factor that helps accelerate task completion and enhances work effectiveness and efficiency. These findings are also consistent with previous studies cited in this research. Larasshati and Priyastiw (2024) found that Digital Competence has a positive and significant impact on performance in the public sector. Similarly, research by Siregar et al. (2025) demonstrated a significant influence of Digital Competence on employee performance within government agencies. These findings support the current study's conclusion that digital proficiency is a relevant factor in boosting employee performance. Consequently, the higher the level of Digital Competence possessed by employees, the greater their ability to adapt to the demands of technology-based work. Therefore, the Medan City Manpower Agency should continue to prioritize enhancing digital competence through training, guidance on application usage, and the development of skills in managing digital information.

The Effect of Non-Physical Work Environment on the Employee Performance

Based on the partial hypothesis testing results, the non-physical work environment does not have a significant effect on employee performance at the Medan City Manpower Agency. This is indicated by a regression coefficient of 0.020, a t-statistic of 0.132, and a significance value of 0.895 (which is greater than 0.05). Consequently, the second hypothesis—stating that the non-physical work environment has a positive and significant effect on employee performance—is rejected. In this study, the non-physical work environment encompasses relationships between leaders and employees, inter-employee relationships, communication, cooperation, coordination, and the psychological atmosphere during work execution. Descriptive results show that the majority of respondents rated these aspects quite favorably. However, these relatively favorable conditions did not demonstrate a significant impact on employee performance when tested alongside Digital Competence and Work Engagement. The lack of a significant effect from the non-physical work environment may stem from the fact that employees' performance is influenced not only by work relationship conditions but also by other factors more directly related to the execution of tasks. In this study, Digital Competence and Work Engagement were found to have a significant impact on employee performance. Thus, employees' ability to use technology and their level of work engagement appear to be more dominant factors in explaining performance variations than the non-physical work environment. These findings differ from those of Sari et al. (2024), who found that the non-physical work environment had a positive and significant effect on employee performance. Such discrepancies may arise from differences in respondent characteristics, the research setting, organizational conditions, or other variables included in the research models.

The Effect of Work Engagement on the Employee Performance

Based on the partial hypothesis testing results, work engagement has a positive and significant effect on employee performance at the Medan City Manpower Agency. This is evidenced by a regression coefficient of 1.218, a t-statistic of 9.769, and a significance value of 0.000 (less than 0.05). Thus, the third hypothesis—stating that work engagement positively and significantly affects employee performance—is accepted. Work engagement encourages employees to become more involved in their work and to contribute optimally. Employees who are engaged with their work tend to be driven to complete tasks effectively, maintain the quality of their output, and take responsibility for their assigned duties. These findings align with the study by Paramita et al. (2023), which demonstrated that work engagement has a positive and significant impact on the performance of State Civil Apparatus (ASN). The results also concur with the study by Febriani and Susanto (2024), which showed the influence of work engagement on employee performance. Given these results, the Medan City Manpower Agency needs to maintain and enhance employee engagement. Such efforts can be achieved by providing support to employees, acknowledging their work outcomes, offering opportunities for competency development, and creating working conditions that sustain employee morale and dedication.

The Simultaneous Effect of Digital Competence, Non-Physical Work Environment and Work Engagement on the Employee Performance

Based on the simultaneous test results, Digital Competence, Non-Physical Work Environment, and Work Engagement collectively exert a significant influence on Employee Performance at the Medan City Manpower Agency. These results are indicated by an F-calculated value of 57.339 against an F-table value of 2.87, with a significance level of 0.000 (< 0.05). Since $F\text{-calculated} > F\text{-table}$, the fourth hypothesis is accepted. These findings demonstrate that the three independent variables collectively explain the variation in Employee Performance; in other words, Digital Competence, Non-Physical Work Environment, and Work Engagement simultaneously share a significant relationship with Employee Performance. Furthermore, the Adjusted R-Square value of 0.816 indicates that 81.6% of the variation in Employee Performance can be explained by Digital Competence, Non-Physical Work Environment, and Work Engagement. Meanwhile, the remaining 18.4% is explained by other factors not included in the research model. Based on the multiple linear regression results, Work Engagement (X3) is identified as the variable with the most dominant relative influence on Employee Performance compared to Digital Competence (X1) and Non-Physical Work Environment (X2). This is evident from the Standardized Beta Coefficient for Work Engagement, which is 0.846—the highest Beta value compared to 0.225 for Digital Competence and 0.011 for Non-Physical Work Environment. Additionally, Work Engagement shows a significance value of 0.000 (< 0.05), confirming that its influence on employee performance is significant. Consequently, within this research model, Work Engagement emerges as the variable requiring greater attention, as it demonstrates the strongest relative influence on Employee Performance at the Medan City Manpower Agency.

CONCLUSION

Based on the research results, it can be concluded that:

1. The Influence of Digital Competence on Employee Performance, Digital competence has a positive and significant influence on employee performance at the Medan City Manpower Agency. This is evidenced by a regression coefficient of 0.474, a t-statistic of 3.161, and a significance value of 0.003 (which is less than 0.05). Thus, the first hypothesis is accepted. These results indicate that the better employees' abilities are in using digital technology, managing digital information, utilizing work-supporting applications, and adapting to technological advancements, the more likely employee performance is to improve.
2. The Influence of the Non-Physical Work Environment on Employee Performance, The non-physical work environment does not have a significant influence on employee performance at the Medan City Manpower Agency. This is evidenced by a regression coefficient of 0.020, a t-statistic of 0.132, and a significance value of 0.895 (which is greater than 0.05). Thus, the second hypothesis is rejected. These results indicate that although there is a positive relationship between the non-physical work environment and employee performance, this relationship has not been proven statistically significant. Consequently, conditions regarding work relationships, communication, cooperation, and coordination in this study have not demonstrated a significant influence on changes in employee performance.
3. The Influence of Work Engagement on Employee Performance, Work engagement has a positive and significant influence on employee performance at the Medan City Manpower Agency. This is evidenced by a regression coefficient of 1.218, a t-statistic of 9.769, and a significance value of 0.000 (which is less than 0.05). Thus, the third hypothesis is accepted. These results indicate that the higher the level of employee engagement with their work—reflected through enthusiasm, dedication, and involvement in performing tasks—the better the employee performance.
4. The Simultaneous Effect of Digital Competence, Non-Physical Work Environment, and Work Engagement on Employee Performance
4. Digital competence, non-physical work environment, and work engagement simultaneously have a significant effect on employee performance at the Medan City Manpower Office. This is evidenced by an F-calculated value of 57.339 (exceeding the F-table value of 2.87) and a significance value of 0.000 (below 0.05). Thus, the fourth hypothesis is accepted.

Based on the research findings, the researcher offers the following recommendations:

1. For the Medan City Manpower Agency, The Medan City Manpower Agency is encouraged to maintain and enhance employee performance by focusing on the factors proven to be influential in this study, specifically Digital Competence and Work Engagement. Such improvements can be achieved through competency development, providing support for task execution, and creating an environment that fosters optimal employee engagement in their work. Should the Medan City Manpower Agency face budget constraints regarding performance improvement efforts, priorities should be established based on the research findings.

Work Engagement (X3) should be the primary priority, as it exerts the most dominant relative influence on employee performance, with a Standardized Beta value of 0.846. Efforts to boost Work Engagement can be pursued through activities that foster employee involvement, enthusiasm, and dedication in performing their duties. Subsequently, Digital Competence (X1) should be the next priority, given its Standardized Beta value of 0.225; this could be addressed through training or by enhancing employees' skills in using work-related technologies. Meanwhile, the Non-Physical Work Environment (X2) still warrants attention but can be addressed through measures requiring minimal financial outlay, such as improving communication, coordination, and interpersonal working relationships among staff. Thus, limited budget resources can be allocated first to the aspects that, according to the research, have a greater relative impact on employee performance.

2. Enhancing Digital Competence, Given that Digital Competence has been proven to have a positive and significant impact on employee performance, the agency is advised to enhance employees' digital skills through training, mentoring, and learning initiatives focused on the use of work-supporting systems or applications. Employees are also expected to improve their proficiency in operating technology, managing digital information, and adapting to technology-based work systems. Consequently, both administrative tasks and service delivery can be carried out more effectively and efficiently.
3. Enhancing Work Engagement Work engagement has been proven to have a positive and significant impact on employee performance. Therefore, the organization is advised to maintain employee engagement by providing support, acknowledging work outcomes, and offering opportunities for professional development, as well as by creating working conditions that boost employee morale and dedication. Leadership is also expected to attend to employee needs and foster effective communication, ensuring that employees feel valued and involved in achieving organizational goals.
4. Improving the Non-Physical Work Environment, Although the non-physical work environment did not show a statistically significant impact on employee performance in this study, this aspect still warrants attention and maintenance. The organization is encouraged to foster positive relationships between leadership and staff, enhance communication, strengthen collaboration, and ensure effective coordination among employees and across departments. A conducive work environment remains essential for supporting employee comfort in carrying out their duties, even though its impact on employee performance was not found to be statistically significant in this study.

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