

**When Performance Simplified As Attendance
(Implementation of Remuneration Policy at Local Government)**

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Abstract

Mostly believed salary is the important factor for employee motivation and Indonesian civil service well known as low-paid employee. Hence it seems should be accepted if their work is under-perform. Under the bureaucracy reforms policy, some of national government organization initiated the new-salary system based on performance. Under decentralization policy and using different approach, the policy also implemented progressively by some local governments; Gorontalo, Jakarta and West Java Province which aimed to alter their employees performance. The ideas and policies have shifted from the view that reforming salary system would in itself be strong to increase local service employee's performance and the ultimate goals is reducing corruption among their workers. Ideally, the new salary system should be based on individual performance that every Civil Servant has a job analysis, specific task which is assigned to them on assumption of duty. This means that the performance of every single Civil Servant is measurable. However, this policy has proven difficult. Despite the failure of individual duty assignment into measuring individual performance in the salary system, the technical performance measurements on individual basis have been crucial obstacles. The paper will examine the implementation of new-remuneration policy in Jakarta province, the fact findings that the implementation of performance based salary system is bias. The performance simplified by reviewing on individual attendance without examining their task-duty performance or whether they work or not.

Keywords: Bureaucratic Reform, Salary, Remuneration Policy, Corruption

Introduction

The civil service play major crucial role in a country's development, especially for developing or newly independent nation with lack of private sector capacity. Government requires a good civil service, and improvements in public service performance must be a key goal for accelerating development (Korm, 2011). However, Civil service and quality of their services in Indonesia has been the subject of much attention since 2000. The issue of Indonesia civil service is nothing new, their traditional role as government employee rather than public service officer need to be evaluated. Their performance have been arguing that much of them is under-perform, in-efficient, obtuse, rigid, red tape behavior and does not give effective daily public services delivery which needed by citizens. Moreover there is a general opinion that most of the government organization or public enterprises have failed to deliver on the purposes for which they were established. Conversely, they receive benefits funded by state, monthly salary, health insurance, allowances and also future facilities such as pensions or even worked at local public enterprises post retirement. What happen in the Indonesia government institution employees show about what is likely to happen that those who are charged with solving problems within their jurisdiction which operated at public expenses indeed become a source of problem.

Differ with their counterparts in private sector those who work for government intuition characterized by patriarchy, ideologically-patronage driven and stick on traditional organization culture. After the fall of-so called New Order Government under General Soeharto, Indonesia new administration influenced by the wave NPM's wave appeal to reform in all state aspects. Though it was swept globally in 1990's but it was just reach Indonesia decade later. The holistic reformation in Indonesia comprises on politics, judicial, economy, public administration and even social transition including decentralization policy which a new-shape of inter governmental relation between national-sub national level. (Tjiptoherijanto 2007). It was under authoritarian rule the Indonesia civil service utilize as politics machine. They impose as a member of Golkar-Ruling Party and create mono-loyalty from bureaucracy. And Golkar- called as socio-political force was promoted as the vehicle for General Suharto's political power (sarsito1949.files.wordpress.com).

Indonesia civil service is massive-labor enterprises, nearly 47 million total at national and sub-national are involve providing public services. It was recognized that the number and size of the public sector in Indonesia is huge in terms of public budget consumption 60 % - 70 % at sub national level and special case in Kabupaten of Depok it was 89% of public expenditures go toward employee salaries and benefits (Fitra, 2011). The growing cost of providing civil service salary is leaving most local governments in dire fiscal straits. The more local budget absorb for government employee the more affected for local development. In terms of public services delivery, It obviously that how well these corps perform their tasks will impact directly to the quality of the services that local governments provide to their local citizens. Though the Indonesian civil service salary is not attractive but when civil service recruitment was open, it always flooded by hundred thousands of candidates. It is because in traditional socio-cultural perspective, there is tendency to put civil service at a particular social status (Mardalena, 2012) and also get tangible benefit: monthly payroll system, allowances and retirement pensions insurance, intangible benefits such a particular social level in the community and all those things get through routine administrative tasks with less effort. Indonesia payment system put seniority as also a priority consideration, the longest the highest position-similar with military system (Faletehan, 2011).

Under new-administration of President Habibie's response to those involved a crucial key changes-Bureaucratic Reform policy. The reform influenced by reinventing government agenda in developed countries in 1990s reflects the serious intention of the Indonesia new regime. The government policy designed to which Indonesia civil service performance is expected to contribute, promote the efficient, economical, and effective provision of services to their stakeholders, both at national-sub national level. The idea of bureaucratic reform is bring them to their track as a professional corps, insulating civil service system from politics and forced them to accountable to the stakeholders. Bureaucracy Reform focus on reforming organizational structures and procedures, within a new framework, Indonesia's civil service is expected to become more effective, efficient through three pillars of reorganization: institutional Management-re-invent the organizational setting, Structural Management- standardized procedures, and human Resources Management, deal with Personnel. (Behrens and Paramitha, 2011:3).

The Indonesia Bureaucratic reform has generally reflected dramatically shift administration post authoritarian rule. Though the initiative was issued in 2000 but the progress is not giving significant result yet. Alike the pace of it acceleration labeled at snail movement, the inherent difficulty of bureaucratic reform implementation is that Indonesia Bureaucracy still

reluctant on accepting this idea. The obvious evident was in the rejection of the draft law on National Civil Service initiated by the House of Representatives (Dwiyanto, 2011)

One of attracting agenda from bureaucratic reform is government initiative on the performance-based compensation by revising the existing salary system, called shortly in *Bahasa, Remunerasi*. It is common perception that low pay adversely affects civil service performance and hence government performance organization. The low salary scale within civil service conceive potential dangerous to abuse their authority in order for generating income. This agenda is the most familiar among government employee when they discuss on Bureaucratic-reform policy, they simplify reform means salary increases.

It is implemented firstly at ministry of finance in 2007 and followed by several ministries if they already met with the State Ministry for Administrative Reform criteria. Until 2013, not all ministries applied the new system but this policy imitate progressively by some local governments; North Maluku in the same year, 2007; West Java Province in 2010 and Jakarta Province in 2011 which aimed to alter their employees performance. Under decentralization policy, Local governments have greater space to construct their local administrations. The ideas and policies have shifted from the view that reforming salary system would in itself be strong to increase local service employee's performance and the ultimate of this policy is reducing corruption among workers.

Literature Review

The concept of payment-system is theoretically under-pinned on the theory of motivation based on traditional work of Maslow (1954). His theory formulated human needs into stack of priorities. It depicted from the lowest, physiological- basic need to the highest- self-actualization needs. Payment system can categorized as external rewards for human to full fill their basic need. Their salary should meet with their basic physiological need by paying them reasonable salary and provide a standard physical environment to put them on the physic comfort zone. Taylor (1911) under scientific management gave convincing hypothesis that person's financial salary directly to their performance by paying them a particular rate similar with their output. Indeed employee compensation plays an important role in improving motivation among government workers. Pay is important because it satisfies both economic and social needs (Korm, 2011:11). Even in modern organization when employee driven is diverse, payment system plays important because it can be used as effective tool to unify interests-to meet their needs. A few researches discussed personnel management in Indonesia public sector, Tjiptoherijanto (2007) highlighted challenges of Indonesia Bureaucracy Reform-IBR implementation in the current stage in Indonesia. He concluded that Indonesia has a long way to go in relation to having a high-quality civil service. Similar result from several International donors working papers criticized the pace of IBR slower than rapid political devolution (Horhoruw et al, WB). Faletahan (2010) emphasize details on the absence of performance management viewed as the fundamental obstacle to implement modern Indonesia civil service management.

The new-remuneration policy for civil service is performance-based was firstly implemented by ministry of finance-MoF based on State Law number 17 in 2007. It declare clearly that bureaucracy reform has ultimate goals to enhance the professionalism and implementing good governance principle within government institution both At central and regional levels, in order to support nation development. Remuneration policy is only a part of the IBR. Remuneration viewed as strategic agenda to achieve the success of IBR, it will give civil service performance which determined by changes in bureaucratic culture. While the success of

the culture change mostly contributed by the level of welfare of its members. The phase of IBR at national level-for Ministry employees, start from initial activity-data collection to the legislative stage on enacting law as a legal basis, the steps consist technical management phase: Job analysis, Job description, Job specification, Grading-Job Pricing and propose those technical measurement trough Minister of PAN and approved by President. A key element of this system is therefore the element of professional management system, which is fostering the organization to set goals have specific task and measurement system for each employee. National remuneration system designed to implement the principles of providing '*equal pay for equal work*'. Based on this premise this policy suggests that in new- pay systems there is no one size fit all, excellent remuneration will give for excellent performance.

Remuneration policy implemented at sub-national level based on government decree number 105 in 2000 on Management and Accountability Regional Finance. Each local administration within their jurisdiction can provide additional local performance allowance, *Tunjangan Kinerja Daerah-TKD*, based on local circumstances and approved by local representative. The implementation of remuneration at local level will based on governor decree and the amount of local allowance will vary according their local revenue. The national decree came late, enacted in 2011 through Ministry for Administrative Reform number 63 on Local Allowance Guidelines. Two considerations on it: only local administration which already implemented Bureaucratic Reform deserve to apply new-remuneration system, Local performance allowance given based on individual work load, responsibility and expensiveness index.

Research Methodology

This research use literature review through the secondary data from each province, the evaluation from MoF-National Auditing Board and other sources, this paper will examine implementation on remuneration-policy at local level. It will be focus on how it influence to public service delivery. It will address the important topics such as what should be doing by local administration in the design and implementation of their additional allowance for performance compensation systems in order to meet with the objective. And the vital issue on the new-remuneration at local level is the awareness of potential advantages and disadvantages from it in terms of public spending of their local employees.

Research Findings and Discussion

Indonesia Civil Service payment structure is determined by National government through Law number 43 in 1999 states the Indonesia civil service salary is based on fairness and proper principle. The traditional payment system use combination single and double scale system which give basic salary assigned to a rank-*golongan*. The system refers to steps-and-lanes mechanism which gives compensation based on years of experience. And because the single salary payment system emphasizes more on seniority rather than competencies, hence double-payment system applied to fulfill those needs. The combinations of different scale system provide a series of horizontal and vertical classification among the civil service.

In addition to base pay, Indonesia civil services receive allowances determined based on employees' level of responsibility determine position-*echelon*. The lowest position is echelon IV and the highest is echelon I as Director General at ministry. Each echelon will receive position allowance- *Tunjangan jabatan* determine by national regulation. The purpose of this allowance is to give appreciation for their work, having echelon means having nation mandate on their shoulder. The position allowance aimed to prevent those employees to seek illegal income from their authority. Within similar rank but having different echelon, two civil servants might enjoy

entirely different amounts of allowances and different total take home pay (Tjiptoheriyanto, 2007:33, Indarto, 2004: 135). Other allowances are: family (wife/husband and two children, Rice Allowance) which consume small portion to basic salary.

Other allowance given to civil services called as *honorarium* which refers to the extra allowances for extra task. The honorarium is inline with the employee position or echelon. The composition of extra-task allowance like reversed pyramid, the higher get more whereas the number of higher officials is coned. Allocation for echelon I is 67.22% of total allocation allowances budget for all Civil Service. Abundant allowances will enjoy by small number of high officials. The proportion of allowances to base pay is exceeding to the basic salary (Simanungkalit, 2012: 12). The amount and variety of honorarium allowances to basic salary varies widely across ministries. Each ministry race to create variety of program classified as extra tasks to get extra payment through *honorarium*. Rich ministry simply called as *wet-ministry* will give more honorarium allowance, such as Finance, Public Works, Tax and Costume, but on the other hand, government's employee works in poor, such as Archive, State National Personnel Agency or Home Affairs ministry will receive less. (<http://www.kumoro.staff.ugm.ac.id>). Even between directorates general within ministry will earn different take home pay.

Though there is no academic data on how much each echelon get extra money from it, but generally believe the first echelon will receive hundred million per month average. On the other hand, the lowest echelon will get less and the non-echelon gets none. As a result the *honorarium* play significant role on total take home pay within Indonesia civil service, and it assumed as a source of problem on payment structure (<http://www.kumoro.staff.ugm.ac.id>). and support Filmer and Lindauer paper (2001) that only lowest level Indonesia Civil Service get lower total payment compare to its counterpart from public sector but not for high position. Moreover that paper states that only basic salary shown as component factor between civil service versus private sector's salary which indeed the first is lower, but if total compensation of the state's employees take into account, the high position of Indonesia Civil Service get much more. Total salary also will differ within ministry and between government institution and public owned enterprises.

Under decentralization policy enacted in 2000, the local payment structure is change dramatically, though they implemented the similar at national level but since then each local government has own authority to create allowances for their employees. The type and amount of local allowances varies widely across sub-national and municipalities. The rich sub national level gives more than the poor. For instance, Riau which get local revenue from oil and gas as of December 2006 regulated by Governor Decree gave local allowance for the lowest rank 1.6 million IDR (around US\$160) per month, while those at the highest level received 4.5 million IDR. This allowance stick with the rank and for this reason it can classified as additional basic salary. Moreover, Riau's Civil Service had double earned compare to national employee at the similar rank. (Tjiptoherijanto, 2007:35). Contrast with poor areas which can give basic salary and other allowance at minimum standard. However, the component of extra task allowance still implemented at sub-national level, so local employees still enjoy with several *honorarium*.

Based on variety on honorarium allowances can determine rich and poor department at local levels. Within local government organization in particular municipal provide different take home pay for their employees as it happen at national level. Public Works, Local Revenue department classified as *wet department* which will give more *honorarium* whereas Library, Archive well known as poor, *dry-departments* give less. The disparity employee's salary between

echelon-non echelon or among echelon groups it self (lowest and highest) also extensive within one departments.

The system of *honorarium* is the first priority policy which attempt to be re-arranged by new and first Governor at Gorontalo Province when it formed in 2002. Fadel Mohammad one of the Indonesia tycoons came to the conclusion that the low motivation among Gorontalo Province employees is caused by imbalance allowance distribution among them. Total take home pay civil service is depending on their rank and their position and also from honorarium payment, the highest-the most opportunity to earn addition allowance to base pay. Based on his observation, he found that the head departments attain hundred million rupiahs per year while the technical-lowest civil service earn very low. Extra expenses for high rank officials mostly came from extra tasks- honorarium. He calls it as injustice financial distribution within government's employee, work load heavily put at lowest position but the prosperity enjoyed by high rank officials (Junus, 2008 : 117).

Encountering this problem, Mohammad counts all total *honorariums* from all Gorontalo's employees and furthermore it converted to the local performance-allowance schemes called as *TKD*. The policy implemented from 2005 and evaluate yearly. He distributes the performance allowances based on echelon's level with proportion from the lowest and highest is 1:13, under Gorontalo Governor Decree number 8 in 2007. The purpose of this allowance is to motivate the employee to perform well through their attendance. This allowance will pay only if the employee come to the office everyday and it will be cut if they absence without notification. The amounts of Gorontalo performance allowance adjust every year conform to their local revenue growth. It will pay maximum at the 10th of following month and it subject to income tax. No evidence that Gorontalo provide proper mechanism to evaluate the performance allowance payment system according theoretical framework according Muchinsky (1993:217) '*A systematic review of an individual employee's performance on the job which is used to evaluate the effectiveness of his or her work.*' Nor effective job analysis method (Foster, 2005 : 529).

The result obtained from the *TKD* in Gorontalo is significant to reduce the employee's absence. If 2004 no data available for employee attendance, it recorded since 2005 that it increased every year. As noted by KPK- Anti Corruption Commissioner, from 2005-2007 the attendance was 40%, 70% and 90%. (<http://www.kumoro.staff.ugm.ac.id>). However, *the TKD* policy was not strong enough to reduce corruption cases among Gorontalo government's officials. Mohammad found the misuse behavior in the form of mark-up government's project funds still exist. And red tape phenomenon, bribery from citizens- *cigarette money* that needs official's services is still difficult to be eroded. (Mohammad, 2007:170).

Gorontalo practices later imitated by West Java Province started in January 2010 with modification here and there to promote equitable pay by eliminating bias on double scale system implementation. Based on the latest data up to March 2012, the number of West Java civil Service is 13.933, consist of rank I-the lowest : 518, rank II-under graduate : 3.835, rank III, attain bachelor degree : 7.519 and rank IV-highest Rank is 2.060. (<http://bkd.jabarprov.go.id>). The policy, called as *payment improvement allowances-TPP* does not modify the basic salary rather than re-construct the allowances payment schedule within their jurisdiction such as Gorontalo did. The new-remuneration system in West Java more details and give total amount of performance allowance much higher than Gorontalo. The lowest get 1,5 million IDR and the highest is 32 million IDR/month, the proportion is 1:21. The *TPP* allowance will pay every month based on three-time daily presence through finger print record data. West Java Province's employee loose their extra-allowances since this policy implemented, their total take home pay

only consist basic salary and *TPP*-allowance. However, West Java Province simply translates the performance to attendance and not provide proper performance design appraisal system (Daley, 2005 : 499).

The implementation remuneration system in Jakarta: Jakarta is Indonesia capital city which have a complex challenge in terms of population, the demand for better public services, from the city public transportation, until the problem of waste management and scatter slum area. During the day, DKI Jakarta should accommodate more than 12 million people, while at night populated by approximately 9 million inhabitants. Despite the local revenue is relatively large with a massive 24 trillion IDR, Jakarta has complicated problem and the solutions need solved through coordination inter- levels of government and inter-sector and also require strong leadership.

The performance allowance DKI Jakarta province is intended to enhance the civil service's performance which will lead for better public service delivery for their local people. The policy called as *TKS*-allowance started to be implemented in February 2010 with replicate the success story of Gorontalo case. Jakarta give 50 million IDR for the higher Rank and 2,9 million for the lowest, the proportion is 1 : 17. *TKD*'s allowance given based on the presence or attendance element, each point collected is used to assess whether the employee worthy to be given its allowance. Employees who are absent for up to 20 days, will loose their right to be entitled to the *TKD*. The percentage of attendance used as a major determinant of *TKD* monthly payment. Under Governor Decree, the proportion of the attendance is 70 percent while 30 percent goes to individual appraisal (<http://www.kumoro.staff.ugm.ac.id>). Moreover, the individual appraisal evaluated by non-technical task and more focus on subjective and qualitative assessment such as coordination capability-communication skills and behavior (Governor Decree 38/ 2011). On the other hand, DKI Jakarta still retains *honorarium* post for their employee which has additional or extra tasks. In addition, set of scales of *TKD* apparently ineradicable impression that allowance is more emphasize by the position and not really based on individual performance (<http://www.kumoro.staff.ugm.ac.id>).

Conclusion

The remuneration policy initiated by those local governments aimed to move to better align pay with performance and create organizational cultures that more focus on performance rather than position. While the policy already implemented and absorb of employee expenses allocation at provincial average is 42% to local revenue or in national average is 51% of total budget and 9,3% of GDP (World Bank, 2010), however they failed to provide basic requirement for performance-payment system: accurate individual performance appraisal (Davis & Werther 1996:344). The policy of performance-allowance is not refers to pay strategy where evaluations of individual performance will determine on the amount of pay increases or bonuses given to every individual civil service. Hence it will be fallen to the '*business as usual*' because of absence on individual performances assessment accurately; virtually the same amount has been paid to every single civil service based on their level.

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