

IN SEARCH OF PAY-FOR-PERFORMANCE SYSTEM IN CIVIL SERVICES: A CHALLENGE OF ADMINISTRATIVE REFORM IN INDONESIA ¹

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1. Background

Having been experiencing democratic and decentralized administration for more than a decade, most of Indonesian people still perceive that there has been limited change in the conduct and quality of public services in the country. Amid various attempts to revamp administrative system, public bureaucracy in the country remains inefficient, bloated, and irresponsible to the people's demands. Many believe that administrative reform or bureaucracy reform is an area of reforms that has yet to be seriously considered.

In recent years, policy makers in Indonesia started to hold the assumption that the problems of inefficient and irresponsible public services are due to low pay. With the official minimum scale of salaries of only about US \$ 3.5 per day,² it is almost impossible to expect that public officials would appropriately perform and have enough morale to work in the office. Therefore, the government is now keen on improving salaries and allowances for public officials. Although there is a lack of vigorous study to prove that public officials' take-home is really bad, the policy of increasing *remunerasi* (remuneration) for central government public officials has been decided to be implemented within three years. At the sub-national level, new initiatives have been made by governors, mayors and regents who are now working under decentralized environment. New schemes for payment called TKD (*Tunjangan Kinerja Daerah*, Local Performance Allowances) have been formulated and implemented in some provinces and districts. However, many critics have expressed their doubts whether *remunerasi* and TKD policies would be effective to improve the performance of public services in Indonesia.

Also, there has been a lingering debate on whether the total number of public servants in the country (around 4,1 million in 2008) is appropriate or should be substantially reduced to make the public bureaucracy more effective. The current ratio between the number of public servants and population is about 1 : 60 and the percentage of public servants is only 2.1 of the total population. This is still far below the ratio of about 1 : 40 as generally exist in most developed countries. Given the fact that there is still unclear

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² Tjiptoherijanto, P., Civil Service Reform in Indonesia, *EROPA's Conference*, Hanoi, Vietnam, October 9-14, 2005.

linkage between the number of public servants, their take-home pays that are greatly varied, and the problem of low performance in public services, it is very important to clarify whether the *remunerasi* policy has a direct link with public servants' performance evaluation.

This paper is aimed at explaining inherent problems in the Indonesian *remunerasi* policy. In particular, how the policy has substantial weaknesses of to be in line with the concept of pay-for-performance system in public organizations. Some theoretical explanations will be presented with regards to "pay-for-performance" system as opposed to the traditional "pay as entitlement" system. It is important for the policy makers in Indonesia to learn from international best practices on how to link remuneration policy to the demands for performance in public organizations. Beside the national level policy, analysis will also be focused on the sub-national level policies and their practices in some regions.

2. Some theoretical thoughts on pay-for-performance

Salaries and allowances are instrumental to encourage everyone who work for organizations to perform well. The argument for viable salary and allowance payment system are fundamental as it is directly related to how individuals fulfill their needs as has been argued by the classical theory of Abraham Maslow (1943). Salaries are the basic instrument in modern life to ensure that physical and other additional needs can be fulfilled. Therefore, salaries are the most effective incentive to increase motivation in public organizations as well as in private companies.

There have been more than enough arguments that salary is a means to unify the objectives of people who work within organizations. While conflicts and different individual objectives are inevitable, salary system would be able to ensure that diverse individual objectives can be directed to one single objective of an organization, something that is frequently called "common objective". In their book titled *Managing Through Incentives*, McKenzie dan Lee (1998:11) describes very clearly with an example of incentive systems in private companies:

One of the more important reasons incentives matter within firms is that firms are collections of workers whose interests are not always aligned with the interests of the people who employ them, that is, the owners. The principle problem facing the owners is how to get the workers to do what the owners want them to do. The owners could just issue directives, but without some incentive to obey the directives, nothing may happen.

Thus, there is no doubt that incentives for individuals in the forms of salary, allowance or bonus are effective in solving the problem of conflicting interests within organizations. One can work, or compelled to work, together with others not only because they like working with other people (social needs) but, most importantly, because they can get their wealth (individual needs).

Under organizational circumstances, the basic principle to be upheld is that all incentives have to be directly linked with the individual performance, all indicators for performance have to be clear and understood by employees. It is very important to ensure that individual performance are measurable and what the organization expects from individuals are clearly conveyed. Rummeler and Brache succinctly say that "*If performance isn't being measured, it isn't being managed*".¹ Therefore, performance indicators have to be put in place before any salary and allowance schemes are determined.

In order to understand the importance of performance management and the incentive systems, one might need to start from a simple assumption when an organization does not have an indicator of performance whatsoever. Without a performance indicator, managers in organization do not have any basis to:

- Understand what is going on in the organization
- Identify performance gaps that should be analyzed
- Offer a feed-back comparing the performance with certain quality standards
- Identify which performance should be given rewards
- Effectively making decisions that are supported by resources, plans, policies, schedules and division of labors.

At the same time, from the perspective of employees in the organization, there is no basis to:

- Specifically understand what is expected from them
- Monitor their own performance and create feed-back system for themselves
- Aspire appropriate rewards for their performance and understand what kind of performance is being expected by their peers
- Identify part of the performance that need to be improved.

It appears, therefore, that there are more than enough reasons to determine solid performance indicators before any incentive or reward is offered to an individual or a group in the organization. The themes of performance management, performance-based incentives, and rational salary system are becoming crucial parts of administrative reforms in many countries including Indonesia.

In the area of public policy and public management, the concept of "pay-for-performance" is generally stated as an opposite of "pay as entitlement". The following is how we may distinguish these two concepts as has been described by Milkovich dan Newman (1999:296):

The major thing all these names have in common is a shift in thinking about compensation. We used to think of pay as

primarily an entitlement -- if you went to work and did well enough to avoid being fired, you were entitled to the same size check as everyone else. Pay-for-performance plans signal a movement away from entitlement -- sometimes a very slow movement -- towards pay that varies with some measure of individual or organizational performance.

As such, the concept of *pay as entitlement* is rather conventional as incentives are given to those who have met a certain hierarchical standard or position in the organization. The amount of payment is usually fixed or, if there is any variation, all are based on the organizational ranks, seniority or work experience. Pay as entitlement has some positive aspects as it ensure organizational stability and create a sense of security among the employees. However, the concept is recently being fiercely criticized as it create inertia, decreasing productivity and obstruct innovation in the organizations.

In contrast, *pay-for-performance* is a relatively more progressive concept in which all types of salaries and payments are directly related to employees' performance. Therefore, performance allowances are varied among each employees, depending heavily on their individual performance. The criteria for giving performance allowances are usually based on knowledge of works, expertise, special skills, level of risks in each jobs, and various elements that are determined by employees' scope of works.

While it is more commonly used in the private organizations, pay-for-performance system might also work for public organizations. In fact, as a part of administrative reform initiatives, pay-for-performance system will be an important impetus for improving public organization performance in developing countries that are beset by the problem of inertia and inefficiency. Beside the *base salary*, there are many types of incentives that can be linked to performance in the forms of allowances, bonuses, and benefits. For example, in Singapore, allowances for public officials are given based on these criteria:

1. Tasks that need extra responsibility, complicated, and difficult to handle
2. Tasks with higher risks
3. Public officials who work in isolated, depressing, or unpleasant environment.

It is unfortunate that the concept of pay as entitlement is still used in Indonesian public organizations. If one has acquired a status of PNS (*Pegawai Negeri Sipil*, Public Officials), he or she is entitled to all the compensations and payments, including the *gaji pokok* (basic salary), *tunjangan keluarga* (family allowances), and pensions. The common problem in this system is that various allowances are not based on achievement of performance; they are only based on number of children in the family, length of career in the public bureaucracy, seniority in the ranks, and other criteria that are against professional merit. As a result, aside from the fact that the allowances do not improve organizational productivity, it create frustration

among the young idealist employees, and, worse, deteriorate morale and the spirit of works in the whole system.

Since the New Order government, it has been admitted that the scale of salaries for public officials was unrealistically low. For the lowest rank officials, the monthly salary was only enough for a minimum living up to twenty days. Then, to support living cost for another ten days, they had to find other source of income. There were two ways for getting extra source of income. First, they worked after the official time to get additional income with various kinds of jobs, e.g. becoming a *makelar* (transaction broker), operating small shops at home, or finding other part-timer jobs. Second, they used some portion of funds from the government projects and deliberately making false reports for personal advantage.

Both patterns of extra income have bad impacts. The first would divert public employees' daily activities and may result in deteriorated public services. Once public employees start to realize that additional income from other sources are more beneficial, they would not be able to focus on official activities in public organizations. Worse, they would easily ignore the need to improve the quality of public services as they are becoming disinterested of getting promoted to higher ranks. In the case of Indonesia, it should be noted that many employees work in public organizations without adequate motivation to perform well but only to retain their status as public officials. When the aggregate unproductive time that have been spent by these officials is counted, it would be a great loss for the entire public bureaucracy in the country.

The second possibility of acquiring extra-official incomes has been heeled from the New Order administration and is very difficult to curb. Malfeasance, kick-backs, racketeerings, and all corrupt behaviour committed by public officials were initially due to inadequate salaries from public offices. But even when the salaries have increased, the bad practices are still exist. Those who have limited authorities in public offices commit petty corruption. And those who have greater authorities commit even more corruption with the public funds although their take-home income has already surpassed decent standard of living. Then, many public officials are interested to work for government projects only if the projects give extra-official income for their own.

3. *Remunerasi* as an Administrative Reform, Is It Linked to Performance?

Public discourse on salaries are more opened after the demise of the New Order administration and Indonesia is entering a democratic and decentralized era. It is considered that the payment system for public officials is a mess as it does not reflect an appropriate balance between the pay and the workload. For example, people are questioning how come the salary for President is less than that of a public enterprise General Manager and the salary of Ministry of Finance is less than that of the Head of BPPN (*Badan Pemulihan Perbankan Nasional*, National Banking Restructurization). At the same time, unclear standard of payment would only perpetuate the magnitude

of corruption. Without a substantial change, the remuneration system in Indonesia would certainly damage the performance of public organizations in the country. Some experts even suggested an extreme method of confiscating all the assets from officials who are suspected of committing corruption.ⁱⁱ

The scale of salaries for Indonesian public officials is relatively low compared to that of in other developed countries. Table 1 shows that the scale, or the ratio between lowest and highest rate, of Indonesian salary scheme is only 1 to 3.13.

Table 1: Scale of Salaries in Some Countries (currency in USD)

No	Country	Lowest	Highest	Ratio
1	Singapore	501.5	20,060.9	1 : 40
2	Brunei	481.5	12,130.2	1 : 25.19
3	Peru	247.4	6,129.9	1 : 24.77
4	Spain	1,170.5	15,096.2	1 : 12.90
5	United States	1,274.5	36,069.4	1 : 35.3
6	Indonesia	67.3	210.7	1 : 3.13

Source: Naibaho, 2006ⁱⁱⁱ

Data from Table 1 indicates that there are two problems of the salary scheme in Indonesia. First, the rate of salary for the lowest rank is very low and, even with current minimum standard, it is barely enough for living. Using the same year of standard, the amount of base salary is lower than the UMR (*Upah Minimum Regional*, Regional Minimum Wage) that is determined by the Local Government. Second, the ratio between lowest and highest rates is only 1 : 3.13. This is problematic if we consider pay as a tool to motivate people who work in public organizations. The rates for each level of salaries are not different enough to push officials to work harder in order to get their promotion. There was an idea to increase the ratio of salaries to 1 : 12^{iv}. However, the idea has yet to be realized.

The current government under president Susilo Bambang Yudhoyono is recently implementing the *remunerasi* policy as a part of the *Reformasi Birokrasi* (Administrative Reform). The *remunerasi* policy is basically increasing allowances for public officials. It is planned to be fully implemented in all central government agencies by 2012. The Ministry of Finance is targeted as the pilot project for *remunerasi* and the proposal had been approved by the parliament in 2007^v. The monthly Special Allowance for Financial Officials (TKPKN, *Tunjangan Khusus Pembinaan Keuangan Negara*) is designed as the highest at Rp. 46,950,000 (grade 27) and the lowest at Rp. 1,330,000 (grade 1)^{vi}. In 2008, the government had allocated around Rp 5.2 trillion to support the *remunerasi*, and this policy will be extended to officials in the Supreme Court, Ministry of Justice, Police Department and all other central government agencies. In 2011, for example,

the remuneration policy is extended to Bappenas (National Development Planning Board), LAN (National Institute of Public Administration), Menpan (Ministry of Administrative Reform) and the BKN (National Personnel Board). As has been mentioned, however, the allowance increase are not preceded by adequate performance management.

Some critics have questioned the fact that the scales for increasing allowances are somewhat arbitrary. For instance, it is designed that the maximum allowances for all central government agencies is only 70% of those given to the officials of the Ministry of Finance (MoF). This will perpetuate the wrong perception that among the central government agencies there are two types of agencies: the high pay or "wet" agencies (MoF, MPW, Custom Office, Tax Office, etc) and the low pay or "dry" agencies (Security and Order units, Archive Department, etc), which makes jealousy among the public officials. If there are differences in allowances, it should be based on merit and work-loads rather than simply based on traditional segregation and interests, and it should be evaluated regularly.

There is no independent national council that is specifically assigned for determining base salaries for public officials in Indonesia. According to No.43/1999, such role is supposed to be undertaken by the *Komisi Kepegawaian Negara* (Civil Service Commission) as applies in developed countries. However, the commission has not materialized although it has been envisaged by the law. As a result, the rate of base salaries for state agencies is still depended on the political lobby of each agencies. It is ironic that the official salary for the President, for example is only Rp 62 million while that for Central Bank Governor is a hefty of Rp 202 million. The salary for a minister may actually less than that of a public enterprise general manager although the manager is working under the portfolio of the ministry.

The standard for *Tunjangan Struktural* (position allowance) and *Tunjangan Fungsional* (functional allowance) are also unclear. According to the circular letter of the Directorate General of Budget No.SE-67/A/2000, the lowest rate of such allowance (Echelon Vb) is Rp 120,000 and the highest allowance (Echelon Ia) is Rp 4,500,000. The functional allowance -- for university lecturer, for instance -- is regulated under the Presidential Regulation (Keppres) No.9/2001, which stipulates that the lowest rate (*Asisten Ahli*, Expert Assistance) is Rp 270,000 and the highest rate (*Guru Besar*, professors) is Rp 900,000^{vii}. Currently, the government introduced another allowance called *Tunjangan Profesi Dosen* (Lecturer Professional Allowance), in which a university professor is entitled to have around Rp 13 million. Nevertheless, the implementation of allowance policy is unclear and apparently it is just an *ad hoc* policy. The allowance is not given regularly and very much depended on the availability of funds in the state budget.

At the sub-national levels, the provision of TKD (*Tunjangan Kinerja Daerah*, Local Performance Allowance) is part of the new policy after decentralization. Unlike in the past under the New Order administration, after decentralization the provincial and district governments are allowed to make their own policy on public official salaries. With the central government transfer called DAU (*Dana Alokasi Umum*, General Allocation Grant), sub-

national governments may give additional allowance for public officials in their jurisdictions. However, it remains to be seen whether the TKD that are now given by provinces and districts can really boost performance.

The provision of TKD is regulated according to Government Regulation (*Peraturan Pemerintah*) No.105/2000 on Local Government Financial Management and Reporting. Under the Indonesian bureaucratic culture in which innovations are not always supported, the initiative to make TKD policy is frequently facing resistances. For example, when the government of Gorontalo province initiated to give TKD by eliminating many dubious allowances, many local public officials strongly resisted. Some high-rank officials in the Ministry of Home Affairs (MOHA) have even stated that the idea was against national policy on civil service salary. It was the governor's persistence and the fact that the TKD could improve performance that the TKD in Gorontalo province could be implemented appropriately. Many provinces and districts that are currently trying to replicate the policy in their jurisdictions. The next explanations will focus on cases of TKD in the provincial level.

4. Performance Allowance: Cases of Two Indonesian Provinces

The TKD (Local Performance Allowance) was firstly initiated in the province of Gorontalo. This province was formed in 2002 and is the smallest number of population among other provinces in Indonesia, only inhabited by around 900,000 people (Compare with East Java with more than 37 million and the district of Bandung with around 4,2 million). Under the leadership of Fadel Mohammad, a respectable and ambitious governor, there are new initiatives that have proven to be well implemented in Gorontalo, in which TKD is among the land-mark of new policies in the province.

The provincial government of Gorontalo classified various forms of allowances that were given to all the public officials ranks, starting from the Governor, the *Kepala Dinas* (Sectoral Agency Heads), local public employees, and the *Tenaga Honorer* (temporary officials). Then, all the allowances considered to have no basis of performance were eliminated. The TKD was introduced on the basis of variables that are linked to performance. The process to carry out the analysis was based on the so-called SPBK (*Sistem Penggajian Berbasis Kinerja*, Performance-Based Allowance Schemes), which referred to procedures that are developed by UNPAN (United Nation Public Administration Network). At the same time, the availability of fund in the provincial budget is also projected and analyzed thoroughly according to the performance benchmark of public officials.

The policy initiative was then ratified Governor Regulation No.45/2005. The concept was firstly responded by skeptical comments from public officials, especially those who objected to the elimination of various allowances that have been applied for years. Some local parliament (DPRD) members also doubted that the new system would be effective in improving public service performance. Nevertheless, the TKD concept was persistently pushed by Fadel Mohammad, who took advantage of being the first governor in the newly created province. The opposing elements in the DPRD slowly realized that the TKD policy had worked. At least, it was considered to be

cost-effective because it did not reduce expenditure elements in the provincial budget.

The TKD is designed to give allowances based on public personnel achievement, category of jobs, working conditions, and professional and technical requirements. The funds available for TKD is varied according to the yearly budget and the PAD (*Pendapatan Asli Daerah*, local genuine revenues) of the province. The allowance is paid on the 10th day of each following months and is tax levied according to the national tax law. Table 2 shows the rates of TKD.

Table 2. TKD in Gorontalo province

No.	Position	Allowances (Rp)
1	Governor	12,500,000
2	Vice Governor	10,000,000
3	Regional Secretary (Echelon I)	9,000,000
4	Echelon IIA	6,500,000
5	Echelon IIB	4,500,000
6	Echelon III	2,500,000
7	Echelon IV	1,500,000
8	General functions	1,000,000
9	Contract employees	750,000

Source: Governor Regulation, Gorontalo No. 8/2007.

It is important to note that the Governor and the provincial decision makers have a strong commitment to eliminate malfeasance and create a more reasonable allowance for local public officials. The indicators to determine TKD was only personnel's presence in the office. Then, TKD is gradually linked to the main tasks and functions, and is applied for structural officials, ordinary staffs, and contracted officials. Objective criteria and factual evidence of technical undertakings are used to evaluate the personnel. Table 3 shows the targeted criteria to be used for TKD.

Table 3. The targeted criteria in Gorontalo's TKD

Year	Discipline / Attendance	Performance
2004	100%	0%
2005	60%	40%

2006	30%	70%
2007 onward	10%	90%

Source: Directorate of Research and Development, KPK, 2006

It is also interesting how criteria for TKD were developed from merely attendance into various variables that are based on performance. For example, under the indicators of attendance, there are categories of TD (*Terlambat Datang*, late presence to office), PC (*Pulang Cepat*, go home early), TH-1 (*tidak hadir tanpa ijin dan surat sakit*, absence without notice), TH-2 (*tidak hadir karena sakit atau ijin lebih dari 4 kali*, absence due to sick or absence with permission for more than 4 times), TH-3 (absence due to technical and structural trainings), MTJKTl (leaving post without permission), TMKK (absence from ceremonial activities), and various categories of absenteeisms. As such, all the possible reasons for absence are covered and penalties and rewards are considered appropriately.

The result of TKD implementation in Gorontalo is quite impressive. Absenteeism can be reduced substantially and the productivity is improved significantly. Basic services at the local government, i.e. education, health, and social services are slowly improved. Statistics show that the rate of poverty in the province was 72.14% in 2000, and it was reduced to 34.25% in 2003.^{viii} This change might not only because the implementation of TKD. As a new province, Gorontalo acquired significant DAU grant while the number of population is relatively small. But the fact that development programs are more progressive and the motivation to work are getting better in the province can also be attributed to the new allowance system.

Nevertheless, there are many issues that have not been resolved in the province with regards to its public bureaucracy. Although TKD has been put in place and personnel attendance is improved, the old habit of marking up project funds is still perpetuated. From a survey between 2004 and 2007, it was found that 49.3% of the middle-rank officials say that mark-up of public funds remained common in Gorontalo. It was also found that 43.6% of the respondents say that many business with the provincial government agencies require extra-official money.^{ix}

The second case is capital region Province (DKI) of Jakarta. This province has to face a very complex issues as it is highly populated, increasing demands for public services, city transports, and waste management. At night, it is inhabited by 9 million but during the day it has to accommodate 12 million people. Although it has a relatively big budget of Rp 24 trillion, the province is facing various problems that needs inter-governmental coordination and need a strong commitment from the public officials.

The TKD is given to encourage public officials to work better. It is expected that the base salaries and TKD allowance will eliminate various forms non-standardized allowances. The governor recently issued Regulation

No.215/2009 to restructure the allowances. Yet the TKD is only made effective since February 2010 by replicating similar concept that has been relatively successful in Gorontalo. The TKD is given based on the structural grades and certain functional categories as shown in Table 4.

Table 4. The Positions and TKD Allowances in Jakarta Province

No.	Positions	Allowance (Rp)
1	Deputy Governor	35,000,000
2	Deputy Governor Assistant	20,000,000
3	Public School Headmasters (TK, SD,SMP,SMA,SMK,SLB)	3,150,000
	Head of Puskesmas (Community Health Service Centers)	3,150,000
4	Public servants in Provincial Government Agencies (SKPD/UKPD)	2,900,000
	Teachers	2,900,000
	Trainers (Widyaiswara)	2,900,000
	Medical service officials	2,900,000
5	Candidates of public servants (CPNS)	1,750,000

Sumber: Pergub DKI Jakarta No.215/2009

The amount of TKD allowances are considered as hefty compared to that of in other provinces or districts. For Echelon I officials, the TKD of Rp 50 million is the highest among all the provinces in Indonesia. Therefore, the Jakarta provincial government have to allocate around Rp 3.5 trillion for TKD with more than 78,500 public servants. It should be noted that the living cost in Jakarta is also the highest in the country.

The Jakarta provincial government create TKD with the aim of replacing various allowances (*honorarium*) that are not linked to performance, such as the TPP (*Tunjangan Peningkatan Pendapatan*, Raising Living-cost Allowance), *tunjangan Kesra* (fringe benefit), and others. However, after the TKD is made effective, there is no clear sign that the other dubious allowances are eliminated. Moreover, the TKD scales are frequently attached to structural positions rather than objective performance. There are also some

TKD allowances for functional officials, but the amount of the allowances are very much lower as shown in Table 5.

Table 5. TKD for Functional Positions in Jakarta province

No.	Positions	Allowance (Rp)
1	Public servants in Seribu (isolated) islands PNS	1,000,000
	Fire extinguisher agency	1,000,000
	Duren Sawit hospital officials	1,000,000
	Sub-district officials (Kelurahan and Kecamatan)	1,000,000
	Computer Programmers and Operators	1,000,000
2	System Analysts	2,000,000
	Functional positions other than teachers and medical service officials	2,000,000

Under the aforementioned schemes of TKD, it is inevitable that most of public officials are still aspire for structural positions rather than functional positions. Although it is believed that functional allowances would be more productive, the scheme of TKD in Jakarta appears to be remain the same as other traditional scheme of allowances in Indonesia. In the Governor Regulation No.215/2009, there is an expectation that the allowances would be beneficial for professionals and those who have specific skills. Yet, the fact that the TKD allowance for functional positions are only between Rp 1 million to Rp 2 million proved that Jakarta provincial government does not have enough strong commitment to apply pay-for-performance system.

Another issue to be considered is that the TKD allowance in Jakarta province is only based on personnel presence rather than systematic system of performance evaluation. TKD allowance is given based on the presence lists of the public officials, and everybody who works in the office more than 10 days every month will be entitled to TKD allowance. Attendance is considered 70 percent while performance evaluation is only considered 30 percent for TKD entitlement. On the performance allowance, the indicators are not yet developed properly based on quantitative parameters. For

example, the Governor Regulation stated that TKD shall be given to those who "achieve goals in their jobs, able to communicate and cooperate with other officials, and have positive attitude in their working environment".^x TKD constitutes a break-through in the local government policy on pay-for-performance. However, without an objective quantitative indicators, its impacts on performance in the local government are still limited.

5. Concluding Remarks

The policy on salary and allowance for public servants in Indonesia is generally based on conventional principle of pay as entitlement rather than pay-for-performance. In order to boost the performance of public servants, Indonesia could learn from international practice, especially how to link salary and allowance with objective performance. The currently implemented *remunerasi* policy appeared to be lacking on relating the pay with performance indicators while there have been bureaucratic politics that hinder its ultimate goals.

After decentralization, there are new initiatives of pay-for-performance system under the TKD allowance. If they are implemented appropriately, this will help for a better prospect for improving public service performance in the future. However, it is fundamental that the TKD systems that are now being replicated in many Indonesian provinces and districts are directly linked to quantitative and stable indicators of performance. The two cases of Gorontalo and Jakarta provinces show that pay-for-performance system would be successful if the government initially set up viable performance indicators. Although the Gorontalo started with attendance as key indicators, it has been able to expand them to more objective performance indexes. On the other hand, the Jakarta provincial government are still using TKD based on structural positions rather than functional positions, something that may turn out to be less significant to improve public services. For most sub-national governments in Indonesia, there is still a big challenge of creating transparent, objective, quantifiable performance indicators.

ⁱ Rummler, Gary A. and Alan P. Brache, *Improving Performance: How to Manage the White Space on the Organization Chart*, San Francisco: Jossey-Bass Publishers

ⁱⁱ Gie. Kwik Kian, Pemberantasan Korupsi untuk Meraih Kemandirian, Kesejahteraan, Kemakmuran dan Keadilan, <http://www.polarhome.com/pipermail/pdiperjuangan/2003-January/000096.html>

ⁱⁱⁱ Naibaho, R.E.I., Kebijakan Penggajian PNS/TNI/POLRI, *paper dipresentasikan pada Seminar Dies FISIP UNDIP ke 37*, Semarang, 16 Maret 2006.

^{iv} *Kompas*, 12 April 2000. *Republika*, 2 April 2000.

^vwww.detikfinance.com/index.php/detik.read/tahun/2007/bulan/09/tgl/11/time/183519/idnews/828609/idkanal/4

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- ^{vi} Lihat Tabel Remunerasi Depkeu, www.remunerasipns.wordpress.com/2010/01/05/tabel-remunerasi-depkeu-2/
- ^{vii} Thoha, M., *Manajemen Kepegawian Sipil di Indonesia*, Prenada Media, Jakarta, 2005.
- ^{viii} Muhammad, Fadel (2007). *Kapasitas Manajemen Kewirausahaan dan Kinerja Pemerintah Daerah*. Jogjakarta: Gadjah Mada University Press, p.170.
- ^{ix} *Ibid*, p.178.
- ^x Pernyataan Gubernur Fauzi Bowo, sebagaimana dikutip oleh dalam Pers Release TVOne, 19 Januari 2010.

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