

**Improving Quality of Civil Service
in Decentralization Era:
Problems and Strategies**

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Abstract

Various things have been achieved through decentralization policy in Indonesia. In some areas, this policy shows positive results. On the other hand, it shows many problems in the implementation. One of these is related to the management of civil servants—, both in national and local levels. The quality of civil servant is closely related to the quality of a country's bureaucracy. The Indonesian government, making most of the reform movement in 1999, attempted to reform its civil service apparatus by issuing Law No. 43/1999 revising Law No. 8/1974 on the Ordinance of the Civil Service. This amendment is expected to create highly-competent civil servants to manage governmental activities.

Civil service reform in Indonesia has been one of Indonesian government's priorities since 2009. Up to now, Indonesian local governments are confronted by both overstaffing and understaffing issues. In addition to these, quality of staff compounds the quantity asymmetry. Overstaffing is majorly experienced by the local governments in Java, while understaffing by those outside Java. More so, those over-staff regions can be considered as lacking in terms of employees' qualification. In sum, the employees' number is abundant yet the quality is still poor. Hence, the reform completion is expected to boost the bureaucrat's quality and performance, equipped with the culture of service.

Keywords: civil servants, civil service reform, local government

1. Civil Service System in Decentralization Era

Decentralization history in Indonesia gives us two sides of a coin. The first being some regions' success in improving public service quality that usually came out as logical consequence of firm political commitment from the respective local head. The second face, on the other hand, is the less successful regions or those who actually failed to utilize the granted authority. In this second case, local autonomy only gives benefit to some local elites, while the public remains object of politics.

For all the various problems that occurred during the decentralization era, the lack of human resources and capacity buildings has been the most serious problem, both for central and local government. Many local governments show that they have difficulties to get enough qualified personnel to deal with the sudden deluge of expanded responsibilities as a resultant effect of decentralization.

Upon such a fragile structural foundation, decentralization creates various faces, in form of various events showing both good and bad news. Various studies made by donor institutions — from the Asia Foundation to several studies made by World

Bank — highlighted those good and bad news. Good news usually pertains to local government reforms, such as the implementation of innovation program in many sectors. Bad news, however, is shown by matters like: exclusive localism, local capture, corruption, collusion and nepotism practice, local conflict, complicated bureaucracy, to the low quality of civil servants.

The discussion on basic paradigm and values consisting the basis for the decentralization and local autonomy arrangement in Indonesia is a matter of importance, as they will affect every sorts of policy making and refining. These basic paradigm and values will become the determining element towards the progress of decentralization from one period to another. The essence of decentralization basically is a policy intervention to strengthen public participation and efficiency in government performance. Apart from that, decentralization also aims to strengthen local accountability, local responsiveness, and political equality (Smith, 1985).

Studies in some countries reveal that decentralization may create positive effects if some conditions are met. For instance, decentralization works in the presence of a conducive political and institutional environment and when it is thoroughly and appropriately designed and implemented. However in some countries, decentralization caused the opposite effects from what is expected, such as budget deficit, irresponsible financial allocation, local elite domination in the government, just to name a few. The weaknesses and negative effects occurring in decentralization are often caused by a weak decentralization design and political immaturity, either both or in the central as well as local levels; the lack of capacity of human resources at local level; and the rush to attain the objectives of decentralization in such a short period of time.

Civil Service System has an essential and strategic role in the management of a country. It is at least grounded on two facts: first, the success of several countries lies on its systematic and serious effort to reform its Civil Service System. Second, Civil Service is a dynamic factor of bureaucracy that plays a role in the government management. Based on the two facts, it is a cognizant fact that Civil Service is a key to the success in the implementation of governance process and management. The quality of a state bureaucracy is very much dependent on the quality of its civil service.

In a policy perspective, the Indonesia's reform in civil service is marked by the passing of Law No. 43/1999 on the Ordinance of the Civil Service — a refinement of the previous regulation, Law No. 8/1974. Due to strategic changes that took place after the 1999 general election, Law No. 8/1974 is considered to be no longer adequate in supporting the needs of national development and thus must be amended with the human resources management approach as the basis of thought. The human resources management approach took into consideration the entire personnel development cycle — from the planning stage, education and training, the utilization process and guidance, to the settlement of compensations — as an integrated process whose parts are inseparable. The refinement as defined in Law No. 43/1999 is aimed to manage the structure of civil service; the state apparatus' professionalism and neutrality; and the decentralization of personnel authority while still maintaining

mobility and the improvement of Indonesian civil servants (referred hereinafter as to *Pegawai Negeri Sipil*, PNS) welfare. Preliminary results indicate that the reform so far has not shown the desired results. There are still lots of problems on every level of the PNS management, from recruitment to dismissal.

The passing of Law No. 43/1999 on the Ordinance of the Civil Service has transformed the principal paradigm in the Indonesian civil service, from the personnel and clerical approach to a Civil Service based on basic competency and work achievements. The concepts that the Indonesian personnel system abides by are as follows:

1. The authority, role and responsibility in maintaining governance lie with the President as Head of the Government.
2. The formulation of national policies in the form of norms, standards, and procedures are established and implemented by the government (unified system).
3. Operational management on the regional level is run in accordance with the authority given by the central government (decentralized system)
4. The central government supervises and controls the civil service system

2. Problems on Civil Service System

The root of the civil service problem in Indonesia is principally implanted in two major factors (Prasojo, 2007) : (1) the internal system of civil service itself and (2) the external factors that influence the function and professionalism of the civil service.

a. Internal Problems in Civil Service System

The problematic situations related to the internal system of civil service can be analyzed by paying attention to the subsystems that form the civil service. These are: (1) recruitment, (2) waging and rewarding, (3) measuring of performance, (4) status promotion, and (5) monitoring.

With regards to recruitment problem, there are several problematic situations that Indonesian bureaucracy is currently facing. The recruitment process can hardly be said professional. It involves a number of cases of collusion, corruption and nepotism. Recruitment process is still seen as 'an annual project' instead of a need to enhance the quality of public service and government. This indication is obvious as the government doesn't have yet any job analysis that functions as the prerequisites to determine job requirements. The absence of job requirements caused recruitment being done recklessly. That is the reason why, despite it is commonly felt that civil servants in Indonesia do not know what job they have to do, the recruitment keeps being carried out regularly. Before one can run a good and proper recruitment process, he should be aware of the task and position specifications. However, ironically there are a number of civil servants who do not understand what their tasks are. Hence, the human resource apparatus in the organizational

unit becomes redundant and is disproportionate with the available task. Such recruitment merely disguised unemployment (Mujiyono, 2006).

The same problem also prevails at local government level. Local egocentrism and the strong influence of kinship and affiliation have also caused a recruitment process that creates incompetent and morally problematic civil servants. The tendency to prioritize local people becomes even more obvious when the recruitment process is carried out by the civil servant itself. That is the reason why during certain civil servant recruitment process, there were demonstrations and chaos in several regions (Public Service, 2006).

The second problem that should also be the focus of civil servant reform is salary system (waging and rewarding system). Civil servants' level of prosperity is still low and it admittedly affects their performance and behavior. The problem lies on the imbalance between the needs of the civil servants (living expense) vis-à-vis the salary they receive. If the minimum standard of living will be followed, the lowest salary of a certain position in the civil service staffing structure will only support a person to live half a month. The 10–15% gradual raise that is being implemented now is not a solution as it still cannot help the civil servants to meet their monthly needs.

Despite the meritocracy system stipulated in Law No. 43 of 1999 on Indonesian State Civil Servants, the actual practice of the salary system doesn't reflect such a thing. The basic salary is not based on competence standard. This is due to the fact that classification of position is not yet based on one's competence standard. On the other hand, there are numerous benefits being dispensed but they are given without taking into consideration the task, authority, responsibility and principles of justice. Sometimes the total amount of the benefits given is even higher than the salary that of a civil servant receives. The number and diverse types of benefits at the end makes it difficult to measure the real take home pay of a civil servant. Let alone when it comes to "projects", the benefits received becomes even harder to measure hence making it even less transparent. The sources of salary funding are also so numerous causing the income of someone in a state official position more difficult to be exactly known. Sometimes even the amount of salary received by civil servants is only around 20–30% of the total take home pay they receive. This is also the reason for the rampant case of bribery and gratification in public service and government.

The next problem engulfing the civil service is performance assessment system. It can hardly be said that civil servants in Indonesia are professional in carrying out their duties. Professionalism has certain standards that can be measured quantitatively and can be compared as well. On the other hand, the assessment method currently in use in civil service is the so-called *Daftar Penilaian Prestasi Pegawai* (DP3, Employee's Achievement Assessment List). As long as this list remains the measurement tool, it will remain very difficult to measure civil servants' performance. This is because the performance measurements in that list is very general and there is every possibility for a supervisor to include their personal feeling (like or dislike) in judging their subordinates. This vagueness has caused the standard of

promotion becomes unclear. One can be promoted into a position not because of his performance but rather of his loyalty and proximity to his supervisor. Up to now, Indonesia doesn't even have the stock of employees and officials who actually possess certain competence and performance that made them qualified to be appointed to the position they currently hold.

Another internal problem in the civil service is the weak monitoring system of the employees' behavior and discipline. As a system, this employment subsystem is correlated to each other. Any ambiguity in the recruitment systems, salary systems, performance measurement, and promotion also affect the quality of monitoring the employees' behavior and discipline. This correlation is somewhat like a vicious cycle which beginning and end point cannot be determined. The weakness of monitoring is caused by the absence of standard of work performance, low salary rate, and affiliation-based promotion. In practice, what happens is it becomes so difficult to monitor the dramatic accumulation of practice and even the employees' attendance is no longer important.

b. *External Problems in Civil Service System*

Beside the internal problems cited, civil service system in Indonesia also has several problems from external factors. Firstly, the poor condition of civil service in Indonesia is also caused by the cooptation by political party with the civil servants. Civil servants partiality often leads to abuse of power by official and other people in power. Many of them find it difficult to distinguish between their task as civil servant and their affiliation to political party. This creates a civil service system not based on meritocracy rather on spoil system. State budget is not used accordingly for its real purpose but is used for political affiliation interests. The promotion of position is also conducted upon the basis of proximity with colleagues and one's political affiliation.

Both internal problem — civil servant mechanism — and political cooptation on bureaucracy affect the bureaucracy's performance as a whole. Civil service reform must be directed toward the creation of professional, independent, and civilized civil servants who serve their people properly.

The policy reform however encountered various problems. These problems was brought about by the resistance of the local governments to the reform due to the following reasons: (1) the strong local egoism resulting to local governments not accepting employees who are not originally from that region or from that local government; (2) huge number of employees making it impossible to absorb all into available positions in a particular local government, (3) unsuitable competence with the region's need, and (4) rejection as a revenge to the "central government people" who were so much powerful during Soeharto regime. With a total number of more than 2.5 million employees, the personnel transfer issue has become one of the biggest problems during the initial period of 2001 decentralization implementation.

3. The Urgency of Civil Service Reform

Civil service reform in Indonesia is truly a complex issue. The current system is the legacy from decades of corrupt system that manifest in the corrupt culture, mentality, mindset, quality, and service of and by the bureaucrats. Therefore, the reform should be carried out in a radical manner comprising several important aspects. The House of Representatives launched initiative to make State Civil Apparatus Law, which is currently still at the drafting level. This draft is based upon professionalism in management of the government's human resources.

The Indonesian government's civil service reform has given birth to a new system considered to be more professional and effective in personnel management. The system improves every aspect of the personnel system, from recruitment and selection, promotion and rotation, education and training, compensation, to dismissal of employees.

Taking into consideration the various problems still inhibiting the undergoing reform, the Indonesian government provided a two-pronged approach addressing simultaneously the improvement of civil service management and advancement of public service. It is hoped that the initiative will escalate employee's motivation and people's trust to the government. The improvement of bureaucracy performance in giving public service is expected to restore the trustworthy image of the government in the eye of the people as the quality of public service gets better, people's satisfaction and trust can be restored. If this will be accomplished, the government will be able to re-establish their legitimacy in the eye of the public.

The pillar of the civil service reform was the publication of Law No. 43/1999 revising Law No. 8/1974 on the Ordinance of Civil Service. Civil service reform must be set up in the form of significant changes (escalated evolution) through a series of conceptual, systematic and sustainable renewal activities or actions through restructuring, reviewing, improving, and renewing existing systems, policies, and laws regarding civil service including improvement of their morality and character in accordance with contemporary demands and prevailing norms; strengthening of commitments; and implementation of state laws.

Besides the revision on the ordinance of civil service, the civil service agency's name was also changed, from BAKN (National Administrative Agency of Civil Service) into BKN (National Civil Service Agency). The change is due to the growing number of civil servants (PNS) in Indonesia which is not accompanied by the rise of adequate competence. The change of BAKN into BKN aims to improve the role of the agency not only to administratively collect data but also to adequately develop the competence of civil servants with the core duties of upholding the tasks of personnel development; supporting the governance process; and providing public service.

In general, the PNS recruitment is divided into two systems: the centralized and decentralized system. In the centralized system, the PNS recruitment policies include norms, standards, procedures, the composing of test material, and graduation

standards. These are managed by the Personnel Work Team consisting of BKN, the State Ministry of the Administrative Reform, and related institutions on the central level. In the decentralized recruitment system, policies are established on the central level by BKN while regional agencies simply conduct the personnel recruitment including establishing the graduation standards. In composing the test material, regional agencies may collaborate with colleges and universities. There are three types of test material: (1) the General Knowledge Test, covering knowledge on ideologies, politics, economy, social and cultural life, defense and security, and the law; (2) the Scholastic Aptitude Test covering tests on verbal ability, quantitative ability, and reasoning ability; and (3) the Substantive Test that measures the test participants' aptitude or skills relevant to job competency or to the jobs they are applying for. Starting from 2007, the Substantive Test was removed and replaced with the Field Competence Test and Maturity Scale Test.

The promotion of PNS is based on principles of professionalism, in accordance with their competence, work achievements, the hierarchy in the relevant positions, and other objective requirements which do not discriminate based on gender, ethnicity, religion, race, or social class. In Article 20, Law 43/1999, it is emphasized that in order to further guarantee objectivity in considering promotion and position advancement, an assessment of work achievements will be conducted. The three articles stress the importance of assessment of work achievements in the employee placement process so that employees in all positions are competent personnel and able to perform their duties. Promotion, also called position advancement in the Indonesian civil service system, has different requirements according to each job type. Position advancement is based on the regular position advancement system and the selective position advancement system.

Overall there are 17 levels in the PNS hierarchy in Indonesia, as shown on the following table:

Overall, the PNS positions are categorized into:

1. Structural Positions

Structural Positions are positions that are distinctly included in the organizational structure as regulated by Ministerial Decrees/Decrees from the head of the institution based on written approval from the State Ministry for Administrative Reform, starting from echelon Vb to echelon Ia.

2. Functional Positions

Functional Positions are positions that, although not distinctly included in the organizational structure, have obligatory functions that enable the organization to perform its duties. In general, functional positions are consisting of 98 types of specific functional positions and general functional positions (staff positions).

In order for the PNS to have the competence that fulfills their job requirements, they are obliged to undergo education and training (referred hereinafter as to *diklat*). *Diklat* becomes essential when the organization has visions, missions, and

Table 1 The Civil Service Position System in Indonesia

No	Position	Group	Class
1	Junior Clerk	I	a
2	First Class Junior Clerk	I	b
3	Clerk	I	c
4	First Class Clerk	I	d
5	Junior Supervisor	II	a
6	First Class Junior Supervisor	II	b
7	Supervisor	II	c
8	First Class Supervisor	II	d
9	Junior Superintendent	III	a
10	First Class Junior Superintendent	III	b
11	Superintendent	III	c
12	First Class Superintendent	III	d
13	Administrator	IV	a
14	First Class Administrator	IV	b
15	Junior Administrator	IV	c
16	Middle Administrator	IV	d
17	Senior Administrator	IV	e

objectives to meet and the PNS are not equipped with the competence necessary to meet the objectives. Thus, in creating an effective *diklat* program, there are three informational needs that have to be met: information on organizational analysis, job/task analysis, and person analysis. The regulation that is relevant to *diklat* is the Government Regulation (PP) No. 101/2000 on Job Education and Training for Civil Employees. In general, there are two types of PNS *Diklat*: pre-service training and in-service training. Based on the trajectory of an employee's career development, *Diklat* will teach two types of competency that PNS must have in order to be able to perform their duties and help attain the organization's objectives. First, employees will be equipped with basic competency; second, their basic competency will be developed into specific competency.

The remuneration system currently in use is the combined salary system: the base salary is based on position and tenure, regardless of work characteristics and responsibilities, and benefits are based on the employees' position in the hierarchy. Besides the base salary, PNS also receive benefits for their families and pay taxes. Once every two years, PNS will receive the Regular Salary Raise (KGB) on the condition that their Assessment List of Employee Achievements (DP3) has attained the required grades. The current scale in use, known as the Civil Service Salary Regulations (PGPS) actually diverged from salary theories.

4. Strategies for Civil Service Reform

This draft is based upon professionalism in management of the civil service human resources. Several reform ideas are stipulated in the draft are as follow (Prasojo, 2010).

a. *New Strategic Resource Management*

This new management system replaces outdated bureaucratic personnel administration with Strategic Human Resource Management (SHRM) to spearhead vertical and horizontal adjustments of government agency workforce with the new strategic mission of the government. The State Civil Service Reform is based on the visions to change human resource management strategy; and form the bureaucratic and personnel-based one toward modern human resource system that puts forth competence, competition and performance development. In Indonesia's bureaucracy, the arrangement and implementation of the civil service so far is based on a very bureaucratic and clerical personnel administration. As consequence, there is no vision and mission to develop the resources that the civil service possesses. Apart from that, the approach used puts so much emphasis on politics, affiliation, patronage, nepotism, and collusion. Political loyalty becomes a dominant factor in bureaucracy, which also becomes the main consideration for one's appointment on certain posts/positions rather than their competence and work performance.

The reform on system and strategy of resource development that set individual potential development as priority is expected to create adjustment of functions held by every government agency. The new system shall make competence, experience, and performance of the employees as the main consideration in selecting the persons to hold positions in the government. This new system will use bureaucratic merit (meritocracy) system and replace the political merit system currently in place in Indonesian bureaucracy.

b. *Civil Service as a Profession*

Indonesian Civil Service is defined by legislation as a profession which is apolitical, clean from corruption, and endowed with institutional capacity to deliver equitable public service and to effectively implement policy management. Basic values and Code of Conduct of the profession is sanctioned by law.

These days, one of the main problems in Indonesian civil service is that state apparatus is not considered as profession but rather as partial political vehicle. That is the reason why the present state civil apparatus is not considered as professional. It is not considered as a profession; civil apparatus don't have any basic professional value nor do they have sufficient competence and code of conduct. They work as they wish. For politicians, this is very lucrative for advancing their self—, group's, as well as party's interest. As a consequence, cooptation happens committed by political interests in government function and services, and this in turn leads to the creation of highly political, unclean, corrupt bureaucracy lacking capacity.

This Legal Draft will make state civil apparatus as a profession, where the profession should have basic values of professionalism, competitiveness, apolitical, possessing good service culture, and high work performance. As a profession, state civil apparatus should have the competence required by the position/work. These competences should become the fixed requirements during recruitment and promotion. As a profession, code of ethics and code of conducts should also be developed and made as the basis for carrying out tasks. Any violation to the code of ethics should be punished by a sanction. Thus, this law will provide protection for the state civil apparatus profession from the intervention of partial political interest and also to prevent any collusion, corruption, and nepotism within Indonesian bureaucracy.

c. Position-based System

Position-based personnel management system is currently applied in recruitment, appointment, placement, promotion, and termination of employees in Indonesian public service. In the Indonesian bureaucratic practice, the recruitment, position, and rank filling still remain very closed and based more on proximity. This is actually the legacy of Soeharto's regime, during which every civil servant should be a cadre of Golkar party (the regime's ruling party at that time). This system caused many incompetent persons being placed on official positions and, some argue, it is also the root of cases of bribery in the bureaucracy. Positions can be sold or exchanged with specific economic and political interests. This practice has caused savage bureaucratic disease in Indonesia (corruption, collusion, nepotism). A holder of a position must have loyalty and must submit tribute to his supervisor or political official.

By changing the career system into open position system, it is hoped that corruption, collusion, and nepotism practice (KKN) can be reduced. The recruitment and positioning of civil servants should be done in an open manner, so is promotion. Promotion should be done through fit and proper test administered by the State Civil Apparatus Commission. As for the highest position in bureaucracy (Echelon 1), it shall be done in open manner for all state civil apparatus in Indonesia. This system will strengthen the profession of the state civil apparatus and also the concept of the Unified State of the Republic of Indonesia. In the case of the latter, apparatus can be transferred horizontally between ministries as well as vertically between central and regional/local level. In this Legal Draft, 10 percent of the state positions can be also filled from private sectors. Such a policy will push forward professionalism and competition in Indonesian bureaucracy.

d. Merit system

Merit system is operated as an objective comparison vis-à-vis qualifications and competence required for jobs or positions as possessed by the applicants. The legal draft also stresses the importance of merit system in Indonesian state civil apparatus. This aims to ensure that the filling of positions in bureaucracy is carried out by considering the qualifications required for a position with the qualification of an

applicant. By applying open promotion system, the qualification of every applicant can be seen and compared with other applicant for purposes of hiring the best candidate. This system will replace the system of filling position based only on proximity between an official and his subordinate. The recording of qualification of a state civil apparatus shall be done by the State Civil Apparatus Commission and is applicable in all parts of Indonesia.

e. Senior Executive Service

To complete the position-based promotion system, the Legal Draft also attempts to develop special competence for the highest positions in bureaucracy through the creation of Senior Executive Service (SES). The introduction of SES aims to overcome various problems occurring in current Indonesian bureaucracy, namely; (1) the gap of competence, knowledge, and capacity of the officials between ministries and agencies at central and local levels, (2) exclusivity that happens in several ministries and local governments, which makes state apparatus difficult to be mobilized between ministries as well as between regions, (3) cooptation of bureaucracy by politicians in filling some positions because, all this time, the position assessing team is composed of political officials (both elected official and political appointee), and (4) the weakening of the concept of Unified State of the Republic of Indonesia due to the growing egocentrism in each region upon ethnic and tribal base.

Senior Executive Service is a special cadre in the bureaucracy for the highest state positions (Echelon 1 official, i.e. General Director). The filling of the position, both at national and regional levels, is done in an open manner by the State Civil Apparatus Commission and in an independent manner. The available position is announced by the State Commission. Interested candidates who have met the administrative requirements then applies actively for the position. The available position can be filled by all officials both at national and local levels, horizontally as well as diagonally. Meanwhile the remuneration system is done specifically by considering the work load, competence, and performance. Once in five years, officials who want to continue their service period on a particular position should re-apply and will be re-selected by the State Civil Apparatus Commission. This Legal Draft also gives 10% quota for personnel from private sector to fill the some specific available positions. Performance assessment is done to measure the amount of bonus and penalty given to the SES official. In the initial draft of the law, it also recommended that the SES officials should be comprise of officials from Echelon II and I, however, the parliamentarians only agreed for the Echelon I officials.

f. National Selection System

The practice of State Civil Apparatus recruitment in Indonesia since 2001 features elements of a decentralized system. Every region conducts the recruitment process of the civil servants on its own. This system, however, has been distorted and reflects bad governance, being, recruited civil servants usually come from the relatives/families of officials, politicians, and public leaders. The decentralized recruitment system also caused very corrupt transaction (selling and buying) of

positions. The price of a position can reach up to 100 million rupiahs (US\$ 10,000). This transaction takes place because of the large authority and territorial span of the local government is imbalanced with the monitoring capacity of the central government. Furthermore, politicians need to payback the huge expenses they used during the direct election. This position transaction has created a very corrupt and poor bureaucracy.

The State Civil Apparatus Legal Draft eradicates such corrupt transaction in the civil servant recruitment. If the law is enacted, the recruitment process of the civil servants shall be done in a decentralized manner and by the State Civil Service Agency under the supervision of the State Civil Apparatus Commission. All kinds of examinations and recruitment examination process will be carried out in centralized manner by the State Civil Service Agency and civil servants can be distributed to all agencies, at all levels, that need them.

g. Differentiation of Status

Indonesian Civil Service is comprised of: (a) Civil Servant and (b) Contractual Government Employees. Currently, Indonesian civil service system only acknowledges State Civil Servant as the only kind of government employees in the civil service. This is causing huge financial burden for the state because the state has to spent for all these civil servants including their pensions. Added to this, the recruitment and promotion system that is not performance-based cause erosion in the competence of the civil servants. High-performing civil servants don't get any reward and are treated similarly with those who do not perform at all. Civil servants cannot be fired for their poor performance. However, from the society's perspective, civil servant has a distinguished social status and is viewed with pride. Thus, the motivation to become civil servant, in the end, is distorted. In joining the civil service, instead of being motivated to render service to the public, they join the civil service for the sake of the accompanying social status.

Considering all these premises, state civil service reform in Indonesia is being undertaken, through the previously mentioned State Civil Apparatus Legal Draft, purposely to create competition amongst the civil servants. Certain technical and functional works do not necessarily have to be filled by employees holding status as civil servants but rather by employees contracted for certain period of time. This contractual employee is referred to as Contract Government Employee, i.e. an employee appointed by bureaucratic official to fill certain positions with minimum contract of 12 months. In addition, government employees may organize a workers' union and is entitled to a pension in accordance with the number of saving accumulated. Further details of the government employees rights will be regulated by a Government's Regulation.

h. Distribution of Civil Service Authorities and Management

To draw clear line on the authority of the agencies in the state civil service management, the aforementioned Law also regulates the distribution of authorities between the agencies:

- (a) The President as head of the state holds the authority to select and appoint CSC commissioners; and as head of the government, appoints minister, heads of National Institute of Public Administration (NIPA) and Indonesian National Personnel Agency (NIPA), and approximately 6000 senior officials of public bureaucracy;
- (b) The Minister of State Administration and Bureaucracy Reform formulates general policies for administrative and personnel management of Indonesian Public Service;
- (c) Indonesian Civil Service Commission formulate directives to maintain practices of professional, a-political, and a high integrity civil service, investigate application of these practices by national and local governments' agencies, and manage the Senior Civil Service;
- (d) INPA administers the National Selection of Indonesian Civil Service, administer the Personnel Assessment Center, and provide assistance in development of civil service personnel management; and
- (e) NIPA administers Indonesian Civil Service Academy, provide career development trainings for Indonesian Civil Service, and carry researches and studies on organization and administration.

5. Civil Service Reform

a. *Structural and Cultural Changes to address*

The reform in civil service policies in Indonesia is marked by the passing of Law No. 43/1999 on the Ordinance of the Civil Service, which is the refinement of the previous regulation, Law No. 8/1974. Due to strategic changes that took place after the 1999 general election, Law No. 8/1974 is considered no longer adequate in supporting the needs of a national development and thus must be amended with the human resources management approach as the basis of thought. The human resources management approach views the entire personnel development cycle — from the planning stage, education and training, the utilization process and guidance, to the settlement of compensations — as an integrated process whose parts are inseparable. The amendment as defined in Law No. 43/1999 aims to manage the structure of civil service, institutionalize the state apparatus' professionalism and neutrality, and decentralize personnel authority while still maintaining mobility and the improvement of PNS welfare. Facts indicate that the reform so far failed to show the desired results. There are still a lot of problems at every level of the PNS management — from recruitment to dismissal.

Personnel recruitment is still viewed as an annual and necessary activity rather than part of the need to improve public service quality and governance. This is strongly indicated by the lack of job analysis that will determine job requirements. This condition is verified by Naqib (2000) who states that the dominant factor behind the inefficiency of the performance of PNS is the personnel recruitment policies in government institutions. These policies are not based on manpower planning but rather on political and power interests (Herman, 2006). The situation is worsened by

corruption, collusion, and nepotism that disregards personal abilities and skills. In general, the current PNS recruitment system is not based on the merit of competence but merely on nepotism.

Recruitment on the local government level has its own problems. Strong local egotism, blood relations, and affiliations that influence the recruitment process have resulted in PNS who do not meet the qualifications and have good characters. Moreover, the tendency to prioritize the locals during PNS recruitment becomes more prominent. This is the reason why, in the past, the PNS recruitment process in several areas ended in rallies and chaos (Layanan Publik, 2006).

To date, Indonesia does not have a standardized promotion system for PNS. Personnel promotion in government institutions is based on the assessment from Baperjakat in each institution in the form of Rank Advancement (KP). Baperjakat's assessment is usually based on rank seniority as defined in the List of Rank Order. Personnel rotation is done once every five years. Even then, the rotation does not include all personnel. The excuse being posited is that a thorough rotation would interfere with the personnel's work. One can conclude that both personnel promotion and rotation in government institutions is not a standardized system and is not uniformly applied in practice (World Bank, 1993).

Reform in the education and training system does not take into account the need for quality improvement of PNS. *Diklat* in government institutions are merely formal events and not fully implemented. As a result, the *Diklat* fails to reach their objectives. Basically, the objective of *Diklat* is to train PNS to equip them of competence required by their jobs. However, attaining this objective requires more than the conventional *Diklat* material and model. Another problem is highlighted in the coordination between the two institutions responsible for *Diklat*. BKN and LAN are both responsible in conducting *diklat* resulting to confusion, overlapping, and rivalry in conducting the *Diklat*.

The combined salary scale system does not guarantee a welfare level that supports the PNS' work performance. The amount of their total income is very low, far below the amount of salary and benefits received by BUMN personnel and members of legislative boards. The low level of PNS welfare profoundly influences their work performance and behavior. The real problem lies in the imbalance between their daily needs and their income. Seen in the logic of minimum existence, the lowest amount of monthly income received by PNS is Rp 1,040,000, which suffices for only half a month. So far, there has been a 10% to 15% salary increase. This increase is done in stages. Suffice it to say, this is not an intelligent solution to the problem of how PNS would adequately meet their monthly needs. Law No.43/1999 on Civil Service is based on the merit system but its implementation and practice do not reflect this as shown clearly in the amount of PNS income in Indonesia. This is also evident from the various problems in the Indonesian salary system. Base salary is not determined by competency standards because the classification of positions is likewise not based on competency standards. On the other hand, there are many types of benefits but are irrelevant to job duties, authority, responsibilities, and not based on principles of fairness. More so, the total amount of benefits is higher than

the amount of PNS base income (Hainudy, 2010).

Neither has the reform in PNS dismissal system been meticulously conducted. Every category of dismissal still has its own problems. For example, there is currently different Retirement Age Limits (BUP) for PNS depending on their ranks or positions. These, and these discrepancy does not have concrete and clear criteria. For some PNS, BUP can be extended while for others, it cannot be extended. Moreover, there is also a problem with the basic principle in BUP extension. The most common excuse used in extending the BUP is that, due to the situation and condition, new PNS are not available and more time is required for the forming of cadres. In reality, this excuse is nothing more than a political accommodation in guise of a legitimate reason to extend BUP. All these are the consequence of the lack of a single, specific source for BUP regulations being the sources are comprised of various scattered regulations, decrees, and other types of regulations.

Other than changes in civil service management, another substantial factor in civil service reform is the need for a Civil Service Commission. Article 13 Section (3) in Law No. 43/1999 orders the establishment of an independent commission comprised of five members representing important stakeholders. To date, however, no such commission in has been established in Indonesia due to various conflicting interests of involved parties.

b. *Establishment of Performance Measurement*

The government has made and is making several reforms in relation to the Civil Service System. Among these, for instance, is the performance-based budgeting where a government institution's budget has to be based on its targeted performance. The reform on performance-based budgeting has been declared in Law No. 17/2003 on State Finance. According to the law, every institution is obliged to establish a performance measurement during the allocation of their budget. Additionally, every individual in the institution is obliged to have an individual performance contract. Every year, each government institution is obliged to submit a Government Institution Performance Accountability Report (LAKIP) describing its accomplishments in the current year. The National Agency for Administration (LAN) has also issued the fundamental guide on Performance Management both for state organizations and civil servants. The performance management rules do not seem to provide maximum results for both state institutions and PNS. This is due to the fact that this performance indicator is not used as the basis for individual performance evaluation to determine position advancement and salary settlement. The individual performance evaluation is still based on the Assessment List of Employee Achievements (DP3) and cannot be used as a performance indicator for two reasons. First, the indicators are very abstract in nature, for instance, loyalty and leadership. As such, this evaluation cannot be translated into concrete indicators. Second, the evaluation process is very subjective as it is being conducted by the head of the institution of the employees.

The Ministry of Finance leads the reform on the civil servants' and officials' performance by implementing a pilot project using Balance Scorecard (BSC). BSC

is applied, step by step, from individual scorecard up to institutional scorecard. Each civil servant and officials in the Ministry of Finance signed an individual contract serving as their individual performance measurement standard. The performance measurement produced a new culture of public service, although it still raises resistance from certain groups.

c. *Development of New Incentive System*

The pilot project for the reform in performance benefits actualized another reform in the civil service system. This project is also in operation at several other ministries and government institutions. The reform started in the Ministry of Finance in 2006 attributed to remarkable high political commitment from Sri Mulyani, Minister of Finance. Several changes have been implemented, such as competency-based personnel placement, opening new offices for public service, the trimming of several unnecessary internal structures, performance measurement, and the provision of performance benefits. These remuneration reforms gave birth to positive results. These reforms have not been easy as it requires radical change in civil service employees' work culture and paradigm shift. Furthermore, the reform caused decrease in the additional income or "take home pay" usually received by officials in the Ministry of Finance for the reason that the system is more transparent and provides more accountability. The Ministry of Finance's reform in performance benefits have been going on for three years now and is considered successful by the government. Thus, this reform echoed to other ministries and institutions such as the Attorney General, the Indonesian Police, the Supreme Court, the Audit Board, and the State Secretary. In 2010, the reform in performance benefits will be applied in more ministries and institutions. It should be noted, however, that officials and PNS performance improvement should not be credited to this reform spirit per se, rather, to the increase of income called performance incentive embedded in the performance benefit reform.

d. *Development of Assessment Centre and Integrated Information System*

In order to map the civil servant competence profile, Ministry of Finance's pilot project also builds an assessment center as the base for employees' career, rotation, and improvement planning. The establishment of assessment center basically includes four main components, i.e. constituting the dictionary of competence, threshing the details of competence term; building the competence standard consisting of the list of competences that should be possessed by an official to occupy a certain position; the needed methods and instruments of competence measurement; and competence profile of each civil servant and official. The ministry of Finance used the competence profile to plan and improve an employee's career. The assessment center conducts needs analysis on the competence of the employees and officials and consequently determines what kinds of trainings workshops the latter needs.

In addition to this, the Ministry of Finance also built an integrated employees information system known as SIMPEG aimed at strengthening the employees' data base. Through the integrated system, data of each of the employees in the Ministry

of Finance is collected including the employee's competence, education, official career, and other information as might be required. So far, SIMPEG has collected data from all employees in the Ministry of Finance both in the center and in the regions. The system is especially helpful in personnel planning and in the career improvement of the employees. The Ministry of Finance's Assessment Center and SIMPEG sampling projects is considered as the prototype for personnel planning and career improvement system for all civil servants in Indonesia.

In the national level, a single employee number has been developed to address multiple employee numbers for a single employee causing a problematic employees data base. This problem is causing inefficiency in the state budget since there are some employees who owned double numbers, received double salaries, or even not recorded at all.

e. Open bidding for promotion

One of the reforms done, as piloted by the Ministry of Finance in its' project is the official promotion through open bidding. Open bidding is a process of filling up a position by giving everyone an open and fair opportunity to apply for promotion to the selection committee for the vacant position.

The core considerations in filling up a vacant position are the employee's competence, career achievement, work performance, working period, working location, career ranking, record of discipline, and special requirements needed. To emphasize on transparency and open competitiveness aspects, the evaluation, selection and filling up process is done in an open room, very much uncommon to what usually happens in Indonesia during a selection and appointment process.

f. Civil Service Reform in Local Government Level

The decentralization system was implemented in 2001 at several local governments based on Law No. 22/1999. Since then, civil service reform followed suit. Reform at this level highly depends on the head of each local government. Regions with highly committed leaders are usually able to implement the civil service reform very well. On the contrary, regions whose leaders have no commitment, and are still mired in economic and political debts due to the regional election, are usually unable to make changes. Several partial and local changes implemented by a number of local governments include a more transparent recruitment system, an open, fit, and proper test for personnel placement, and a performance-based remuneration system. Also, reform in the regional civil service demonstrates weaknesses. For instance, it highly depends on the head of the local government's commitment and requires a change of the legal umbrella on the national level. Several reforms on the regional level even often violate legal rules on the national level.

6. Closing Remarks

Civil Service Reform is a subsystem of bureaucracy reform that determines the success of the quality of the undergoing reformation of the bureaucracy. It is not

easy. A change in the system, to be successful, should also be accompanied by a change of mindset and culture grounded in the spirit of providing public service. Particularly, the reforms on the level of recruitment, education and training, promotion, remuneration and dismissal are still being hindered and challenged, mostly, by higher authorities and of certain groups and individual with vested political interests.

Among the agendas being worked at now is the civil service reformas embodied in the State Civil Apparatus Legal Draft. The Legal Draft shifts the Indonesian civil service system from career system to position system. The latter proposes the filling up of available position through cross-matching of the position's needed qualification and applicant's competence. Moreover, the civil service system approach also underwent change — from administrative personnel approach towards professional human resources management. State civil apparatus is being conferred status as a profession that requires certain capacity, competence, performance, and ethics, in carrying out its tasks and functions.

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