

Analysis of the Implementation of the Performance Pay System for Civil Servants in the Ministry of Environment and Forestry in Indonesia

Nizar Nizar

Extension and Human Resource Development Agency, Ministry of Environment and Forestry, Province of the Special Capital Region of Jakarta, 10270 Jakarta, Indonesia

ABSTRACT

This study aims to analyze the implementation of the performance pay system for civil servants in the Ministry of Environment and Forestry (MoEF) in the Republic of Indonesia. This study uses a post-positivist paradigm and analyzes factors that influence the implementation. Data were collected from existing documentation and through in-depth interviews with civil servants in the MoEF. The results of this study indicate that the implementation of the performance pay system in the MoEF has not been effective in supporting the improvement of employee performance. This is due to unavailability of rewards for employees who have successfully achieved their performance targets, ineffectiveness of the application of the performance measurement systems in analyzing actual employee performance, absence of merit pay principles, and the lacking of a review of the implementation of the current performance pay system. Several factors that influence the application of the performance pay system in the MoEF are employee commitment, job evaluation, leadership commitment, performance evaluation, and funding system. The knowledge generated by our research contributes to understanding the empirical condition of performance pay system which will become evident to review the current policy. The findings contribute to improving the cost-effectiveness of the public budget in term of the performance pay system.

Keywords: Civil servants, motivation, performance, performance pay system

ARTICLE INFO

Article history:

Received: 04 June 2018

Accepted: 1 April 2019

Published: 29 April 2019

E-mail address:

nizar_sochari@yahoo.co.id

INTRODUCTION

There is a growing trend to study compensation and how it is related to performance of the employee. Compensation systems are an important concern for policymakers in many countries because

compensation relates to employment morale and apparatus productivity (Pramusinto as cited in Kumorotomo & Widaningrum, 2010). In Indonesia, the compensation system can also be understood as part of the ongoing administrative and bureaucratic reform effort. In practice, however, the compensation system has received less attention in state apparatus management at the national level (Simanungkalit, 2012).

Kumorotomo (2011) stated that the problem of low performance was not due to low salaries; instead, it was caused by a payroll system that was not significantly related to performance indicators. This means that the current compensation system has not made performance as the basis for determining salaries and wages for employees. The existing compensation system still bases the calculation of salaries and benefits according to conventional aspects, such as work tenure. This causes the work climate to be uncompetitive and unable to stimulate employees to improve performance even if an employee has great potential to advance.

However, the compensation system has gradually begun to gain more serious attention within the framework of bureaucratic reform. This is evident from the provision of Performance Pay to Civil Servants (PNS) within the ministries and agencies. The granting of performance pay is a mandate of article no. 5 of *Law of the Republic of Indonesia 2014* about State Civil Apparatus.

According to the Regulation of the Minister of State Apparatus Empowerment and Bureaucracy Reform No. 63 of

2011 (Ministry of State Apparatus Empowerment and Bureaucracy Reform Republic of Indonesia, 2011) on Guidelines for Structuring the Performance System of the Performance of Public Servants, the definition of performance pay is related to the benefits given to civil servants and the amount is based on the performance of the organization where the civil servants work. In line with the above definition, the Regulation of the Head of the State Personnel Agency Number 20 Year 2011 on Guidance on the Calculation of Performance Allocation of Civil Servants states that performance pay is the allowance given to a civil servant and the amount is based on the result of job evaluation and performance achievement of the civil servant.

Previous research implies that the performance pay system in Indonesia has not been able to increase the productivity of civil servants. This is at the very least caused by three factors, namely the formulation of a performance pay system that has no direct relation with the performance of civil servants, effectiveness of the performance appraisal instruments in determining the actual performance of civil servants, and principle of merit pay in the performance pay system (Simanungkalit, 2012). Also, a study about performance pay in government agency in Surabaya City, East Java, Indonesia found that there was positive impact of the performance pay to the motivation, discipline, and quality of services (Shiomy, 2014).

The MoEF began applying performance pay in July 2013 based on the Presidential Regulation No. 79 of 2013 on Employee

Performance Pay. The percentage of performance pay in the Ministry of Forestry is 47% of the performance pay value in the Ministry of Finance. After the merger of the Ministry of Environment and the Ministry of Forestry in the end of 2015, the regulation changed with the issuance of the Presidential Regulation No. 139 Year 2015 on Employee Performance Benefits in the Ministry of Environment and Forestry.

The President later increased the percentage of performance pay from the original 47% to 60% in October 2016. The increased is regulated by the Presidential Regulation No. 85 of 2016 on Employee Performance Pay in the MoEF. Until now, there has been no derivative rule at the level of the MoEF that regulates the increase in performance pay so that the previous ministerial regulation named as Regulation No. P.74/Minister - Secretariat/2015 about performance pay is still valid.

Based on Andrianto's (2013) findings, several deficiencies have been noted in the performance pay system which are the system has not been able to fully meet the needs of employees, to encourage motivation, to spur productivity, and to promote productivity and competitiveness compare to the private sector. The cause of the problem is that performance benefits are not based on workload, responsibility, competence, or employee performance. Previous research results also revealed that employee motivation at work is related to the employee's attitudes of discipline applied, exemplary attention from superiors, a sense of justice in the division of tasks,

and a conducive working atmosphere and infrastructure facilities in office.

Conceptually, compensation is about all kinds of pay back to the employee monetary or non monetary. Compensation is a function of human resource management that outlines each type of individual payment as a reward for the performance of organizational tasks (Ivancevich & Konopaske, 2013). In line with this definition, true compensation refers to all forms of payment or rewards for workers derived from their work (Dessler, 2014).

Performance pay is an instrument to increase the performance of the employee. Performance pay is the supplement to salaries awarded to individual employees based on their performance (Worldatwork, 2007). Whereas performance means as an outcome of the job (Bernardin et al. as cited in Armstrong, 2010). In Frederick W. Taylor's view, performance benefits are financial incentives, namely, financial rewards, paid to workers whose production exceeds a predetermined standard (Dessler, 2014). The provision of actual performance benefits as defined by Taylor has been followed, although the methods practiced do not include mental accomplishments, only physical ones (Mutjaba & Shuaib, 2010).

These conceptual foundation related to the motivation theory which are reinforcement theory, expectancy theory and equity theory. Reinforcement theory or learning theory is a stimulus that is use to encourage employee to create expected behavior with with different schedule activity (Wei & Yazdanifard, 2014). This

theory requires particular behavior from the employees which make the organization gives reward. On the contrary, the bad behavior of the employees will create punishment.

Expectancy theory and equity theory are also support the understanding of the root of employee motivation. Expectancy theory is a motivation theory that assume cognitive orientation as the foundation of theory (Lawler & Edward, 1973). This theory believes that there is relation between the effort, performance and appreciation that employee obtain (Lunenburg, 2011). Meanwhile, equity theory states that equity is a purpose of compensation (Ivancevich & Konopaske (2013). The aims of the equity are to increase the value of the job so the employee will be interested to work at the organization.

This background underlines that current factual process at the MoEF that will draw empirical evidence about performance pay implementation. Therefore the study about this process which also identifies related factors will increase conceptual discussion about performance pay. In addition, the study about performance pay and related factors will increase the understanding and discussion about the factors which will give positive impact for public managers. Based on this background, this study aims to analyze the implementation of the performance pay system in the MoEF and identify the factors that affect the application of the performance pay system in the MoEF.

MATERIALS AND METHODS

The research paradigm used is post-positivist. First, this study used theory as a reference in analyzing research problems. In practice, the researcher made the operation of the concept so that the analysis of research problems could be carried out appropriately. This is in accordance with the characteristics of the post-positivist paradigm which aims to verify the theory. Second, this study did not carry out hypothesis testing. This is in accordance with the post-positivist characteristics which see that absolute truth is very difficult to find because the data and evidence submitted always cannot be perfect. Third, the used of the post-positivist paradigm is in accordance with the needs of researchers in analyzing research problems that reflect causal relationships. From the analysis it is expected that objective results will be found on the problematic situations.

This research also used qualitative method to gather data. Data collection in this research was performed using two sources which are in-depth interviews and previous documentation. Respondents were selected using a purposive sampling technique, and additional informants were gathered using snowball sampling.

Informant retrieval was done by purposive sampling technique of data sources by considering certain criterias. The next informant is determined by snowball sampling. Neuman (2009) stated that snowball sampling was a multistage technique. It had a number of people or cases and spreads out based on links to the initial cases. The sampling technique in this

study does not aim to form representations or generalizations, but rather the depth of information obtained and can be stopped if there has been a repetition of data.

Determination of informants was based on the criteria of proximity and mastery of knowledge about research problems so that the information obtained was a mirror of real conditions that occurred in the field. Furthermore, the selection of informants was based on several considerations, the main criterion was having a minimum work period of two years adjusted to the time limit

of the study, namely in the period 2015-2016 and having assignments directly related to performance pay.

All research informants does not work in work units that provide public services. The output of their work is in the form of administrative documents which are not at all related to the community as objects of public service. The output of their work is the basis of organizational decision making. The background of informants are summarized in Table 1.

Table 1
Background of informants

No.	Division	Job Name	Education Level
1.	Human Resource and Organization Bureau	Head of Division of Development and Employee Performance Evaluation	Graduate
2.	Human Resource and Organization Bureau	Head of Sub-Division of Performance Evaluation and Employee Discipline	Graduate
3.	Human Resource and Organization Bureau	Head of Sub-Division of Job Planning	Undergraduate
4.	Human Resource and Organization Bureau	Analyst of Material Evaluation and Functional Job Development	Undergraduate
5.	Human Resource and Organization Bureau	Analyst of Human Resource	Graduate
6.	Human Resource and Organization Bureau	Analyst of Human Resource	Undergraduate
7.	Secretariat of Human Resources Development and Extention Agency	Head of Sub Division of Administrative Functional Job	Graduate
8.	Secretariat of Human Resources Development and Counseling Agency	Analyst of Human Resource	Undergraduate
9.	Center for Human Resource Planning and Development	Analyst of Human Resource Performance Program	Undergraduate
10.	Pusat Perencanaan dan Pengembangan SDM	Analyst of Forest and Land Rehabilitation	Undergraduate
11.	Secretariat of the Directorate General of Climate Change Control	Analyst of Human Resource	Undergraduate
12.	Secretariat of the Directorate General of Climate Change Control	Analyst of Human Resource	Undergraduate
13.	Secretariat of the Directorate General of Climate Change Control	Head of Sub Division of Human Resource Administrative	Undergraduate

Table 1
Background of informants

No.	Division	Job Name	Education Level
14.	Center for Forest Development Financing	Head of Sub Division of Planning and Finance	Graduate
15.	Center for Forest Development Financing	Analyst of Administrative Payment of Remuneration	Associate Degree

The researchers used interactive analysis methods to analyze the data obtained from the field. According to Miles and Huberman (1994), interactive analysis consists of three interrelated paths, namely, data reduction, data presentation, and conclusion. Interactive analysis is cyclical, continuous and iterative process where the researcher steadily moves among these four ‘nodes’ during data collection and then shuttles among reduction, display and conclusion drawing/verification for the remainder of the study (Miles & Huberman, 1994).

To strengthen the validity of the data, the researchers used triangulation of methods. Triangulation of methods can be done using two strategies which is by checking the degree of confidence in the findings of the research results through several data collection techniques or by checking the degree of confidence of multiple data sources using the same method. The conceptual framework in the Table 2 illustrates the basic theory, variables, and indicators in this study.

RESULTS AND DISCUSSION

Based on the operationalization of the concept, there are four variables: 1) the subsystem of input that includes motivation, leadership direction, efforts,

behavior, organizational environment, and organizational support; 2) the subsystem of transformation that determines the performance pay, consisting of job evaluation and performance evaluation; 3) the subsystem of output in the form of the mechanism for giving performance pay; and 4) the subsystem of feedback in the form of process improvement toward a performance improvement system.

Subsystem of Input

Discussion on the subsystem of input consists of four variables, which are reward and punishment, leadership direction, organizational environment, and organizational support. In the reward and punishment variable, based on the interview with Head of Sub Division of Administrative Functional Job, performance pay is considered a reward because it is related to the individual performance of an employee. The researchers understand that this reward is not given in practice. The institution’s effort to increase employee motivation to perform has been done through a nominal addition of performance pay as regulated in the MoEF Regulation No. 34 Year 2014. Specifically, the regulation states that employees who receive a performance appraisal with the predicate “very good” will

Table 2
Conceptual framework

Concept	Variables	Sub Variables	Indicators
Performance pay system is a system that supports increased productivity, efficiency, and organizational effectiveness by improving employee performance through compensation based on performance evaluation (linking pay and performance) (Stone, 2011)	Reward and punishment	Reward and punishment towards achievement of performance	<ol style="list-style-type: none"> The amount of reward and punishment value given The level of understanding of employees that reward and punishment will be accepted as a reciprocal for good or bad performance of employees
	Direction of the leadership	The direction of the leadership towards the work / work behavior of employees	<ol style="list-style-type: none"> Knowledge of leaders about the level of achievement of employee performance Knowledge of leaders about the level of employee satisfaction with work (job satisfaction) The ability of leaders to be fair in determining performance benefits The level of care and commitment of the leadership in directing employees about the performance that must be achieved
	Organizational environment	Work environment that supports performance achievement	<ol style="list-style-type: none"> Harmonious relationship both vertically and horizontally Mutual trust both vertically and horizontally Open communication
Performance pay system: Sub system input consist of:	Organizational support	Organizational support in achieving performance	<ol style="list-style-type: none"> Dissemination of information about the goals and objectives of the organization Organizational support for the successful implementation of performance benefits
	Role definition	Role definition towards performance achievement	<ol style="list-style-type: none"> Job competence Employee understanding of performance standards and targets
Performance evaluation	Job evaluation	Job assessment	Rank of department level
	Performance evaluation	Comparison of performance achievements with performance targets	The level of comparison between the realization of performance and the target (achievement of employee performance indicators)
		Transparency of the performance appraisal process	Transparency in the performance appraisal process

Table 2
Conceptual framework

Concept	Variables	Sub Variables	Indicators
Performance pay system:			
The output sub system consists of:			
Effort	Employee efforts towards performance achievement	1. Ability to complete work 2. Performance levels for two consecutive years 3. Workload level	
Behavior	Employee behavior towards performance achievement	1. The level of commitment of employees to achieve the required performance 2. The level of discipline of employees in carrying out their work 3. The level of cooperation between employees	
Mechanism for granting performance pay	Clarity of regulations regarding the provision of performance pay	1. The level of clarity about cutting performance pay 2. The level of clarity regarding the termination of receipt of performance pay	
	Assertiveness in giving reward and punishment	Firmness in giving reward and punishment	
	Timeliness of giving performance pay	The level of timeliness of receiving performance pay	
4. Motivation	Motivation towards performance achievement	Increase employee motivation in achieving performance targets	
	Implications of the good and bad performance of promotion and demotion	The implications of good and bad performance on promotion and demotion	
Sub-system feedback is a process towards improvement of performance pay system	Improved performance pay system	1. Conduct a review / study of the performance pay system 2. Organizational commitment to evaluate performance pay systems 3. Creating improvement mechanism 4. Policy support in the form of relevant regulations	

be given an additional benefit. However, after the revision of this regulation to MoEF Regulation No. 74 Year 2015, this reward has been eliminated.

Regarding punishment, the performance pay system at the MoEF uses attendance as an indicator of employee discipline. This indicator determines the nominal benefit to be received. According to the results of interviews with two of the informants, it was found that employees who did not comply with the provisions on filling in the attendance list would get a reduction or deduction of performance pay in accordance with the level of violation committed. This condition implies that there is no specific punishment but there is a reduction of additional benefit or reward. Several studies argue that the usage of reward and punishment will create positive and also negative effect (Irwin et al., 2014). The empirical evidence in MoEF and current studies about reward and punishment indicates that reward and punishment do not always create good impact which implies that public managers should identify its negative side effects.

The reward and punishment in the context of performance pay conceptual framework is in line with the motivative theory. The reinforcement theory requires organization to give reward to the high performance employee and on the contrary give the punishment to the low performance employee (Skinner, 1953).

In the case of the variable of leadership direction, in practice, there are still some problems related to leaders' obligation to

give directions to their subordinates. First, a less committed leader will build a team based primarily on the attendance indicator. Employees who do not comply with the provisions of attendance as mandated in PP No. 53 Year 2010 will be subject to sanctions in accordance with the level of violation committed. Considering the negative side effect of punishment, further research about employee trust caused by sanction is required.

Second, leaders, through their compassion for their subordinates, may ignore violations by their employees. In addition, employees may also not have a sufficient understanding of the provisions on employee discipline, namely, PP No. 53 Year 2010. Therefore, rule violation often occurs, even on a minimal scale, such as violations of the provisions of employees' working hours.

Meanwhile, in the organizational environment variable, an informant stated that the organization always tries to create a conducive working atmosphere. The preferred way is to form a sense of kinship with both the staff and the higher leaders. In this way, based on the interview with Head of Sub Division of Administrative Functional Job, the bureaucratic barriers formed by the superior-subordinate relationship are lessened because the established communication is no longer merely as superior/subordinate but also as friend/brother (Personal Communication, January 24, 2017).

Relationships based on kinship can shape mutual trust. A leader will entrust responsibility for the execution of a task to

his subordinates. Likewise, a subordinate will believe that his/her leader will act in accordance with expectations. Open communication promotes mutual trust if both superior and subordinate know the specific reasons behind a decision. Both the leader and the subordinate can receive input or suggestions to create performance improvements. Recent study about leadership also underlines this type of leadership as humility character of leader (Seijts & Gandz, 2018)

Then on the variable support organization indicates that there are indicators of dissemination of information related to the goals and objectives of the organization. The data show that each unit always has a special agenda that is used as a medium of delivery of goals, and the goals of the organization change each year. In the MoEF, the media used is coaching of employees. According to the informants, the delivery of the organizational goals and objectives is usually specified from the most common parts of Echelon I to the most specialized parts of Echelon IV.

In relation to the indicators of organizational support for the successful implementation of performance pay, in principle organizational support focuses on reviewing several aspects. First is the review of Workload Analysis (ABK). One informant stated that the preparation of the ABK was only based on the fulfillment of the administrative aspects and did not touch on the accurate calculation. Therefore, the implementation in the following year should reflect the real condition of the organization. Moreover, the ministry institutions have

experienced changes marked by the emergence of new work units because of merging the Ministry of Environment with the Ministry of Forestry.

Second is the revision of regulations governing performance pay. The emergence of several weaknesses in the practice of providing performance pay has led to a suggestion to change MoEF Regulation No. P.74 Year 2015. According to the informants, an urgent revision is needed with the adoption of e-performance practices in the State Personnel Board. The existence of e-performance is quite important because previously the payment of performance pay was based on absenteeism, not on performance. The emergence of e-performance will direct incentives to be based on performance and not merely attendance. It is expected that the practice of correctly applying performance pay will boost the improvement of employee performance.

Role definition is the last variable in the subsystem of input. An employee's work competence is also indirectly related to the determination of grade performance pay. Continuing the example above, an employee who is considered competent and then placed as a Functional Position Personnel Analyst will get a Grade 8 performance benefit for the First Personnel Analyst and will stand a better chance of improving to Grade 11 as a Civil Service Analyst. Meanwhile, an employee who is deemed not to have the competencies required in a Functional Position Personnel Analyst will certainly only reach Grade 7 as the highest limit of the Executive's Position.

Furthermore, other informants stated the need for developing standardized positions with regulated performance standards. There will be at least two benefits from the preparation of standardized positions. First, it will encourage the emergence of elements of justice in the provision of performance benefits. Unintentionally poorly designed performance benefits lead to conflicts because employees compare their performance pay to the performance pay of other employees.

Second, standardization is useful as an employee guide in determining performance targets. For employees with a background as Position Executives, performance targets tend to be determined using the old technique, i.e., looking for average levels of achievement in each period of work or even merely estimating it. If the position standard also sets the performance standards, then an employee will find it easier to set performance targets.

Subsystem of Transformation Process

The second subsystem is the transformation process. Discussion about the transformation process subsystem consists of two variables, namely, job evaluation and performance evaluation. Determination of the class of performance pay often creates problems among employees. Three factors were discovered during the interviews. First is the jealousy factor among employees. Employees make personal judgments about their performance compared with that of other employees and become dissatisfied and jealous when they perceive inequities.

Second is a misperception about the seniority factor. There is a false perception that the status of seniority determines the higher level of employment class. Several employees argue that the more senior an employee, the higher the level of performance when compared with other employees, even though this correlation is not always linear.

Third is a misperception about the level of education. There is a mistaken perception that an employee with more education will demonstrate higher performance. As explained above, however, the granting of job performance pay class is based on the results of job evaluation and the performance of each employee.

The fourth issue is the decline of the class position for employees with civil servant on probation period status (CPNS) unilaterally. The decline in the position class for CPNS was caused by the change of position. However, there is no rule that ordered the decrease of class position for CPNS.

Next, in terms of performance evaluation, there are two sub-variables: the comparison of performance achievement with employee performance targets and the transparency of the performance appraisal process. In the first sub-variable, there are several factors related to the application of SKP. SKP is a tool for performance measurement in the Indonesian bureaucracy. First, starting from the beginning of 2014 until today, there is inadequate understanding regarding the importance of SKP. So far, SKP is still seen as a formality or an administrative requirement, and the content of SKP still needs a lot of improvement.

Second, there is still subjectivity in assessing employee performance. SKP was expected to eliminate the element of subjectivity that occurred in the assessment of the DP3 model (List of Employee Behavior Assessment), but it was not effective. This is contrary to the principle of performance appraisal that should be based on the element of objectivity as mandated in article no. 3 of PP. 46 Year 2011.

The occurrence of subjectivity in conceptual performance appraisal is one of the errors or problems of rating systems (Ivancevich et al., 2013). By following opinions in this context, the problem of subjectivity arises when the following problems occur. First, personal bias error, where judgment is based on likes and dislikes (Murphy, 2015). Appraisers will tend to give a high value to people they like and low ratings to people they dislike.

Second, the fact that the recentness of events imposes error. Assessors tend to judge events that have just occurred and do not consider events that have happened longer ago. Third, central tendency errors are an issue. Assessors often assign ratings with a central value, avoiding high or low ratings. Appraisers prefer to provide an average value for all their employees. Fourth is the problem with evaluation standards in general. This problem arises because of differences in perception of the intent of the words used to evaluate employees.

Meanwhile, in terms of transparency of the performance appraisal process, the informants stated that the performance appraisal process has been conducted

transparently. Leaders are willing to explain the reasons behind the ratings they give. Leaders are also open to advice and accept input submitted by subordinates related to the values in performance measurement. Moreover, supervisors go directly to subordinates to discuss low ratings.

Subsystem of Output

Discussion on the subsystem of output consists of four variables, namely, effort, behavior, the mechanism of giving performance pay, and motivation. In the variable of effort, an informant stated that his efforts to achieve his performance targets are constrained by factors of mismatch between the competencies he has and the day-to-day work done (Personal communication, January 23, 2017). According to the informant, as a Bachelor of Forestry, he should find work related to forestry engineering in accordance with his original position as a Forest Rehabilitation Analyst. In reality, the work he does daily is related to human resource planning and development. On the one hand, he recognizes that this discrepancy has a positive impact because he can gain new experiences and knowledge. On the other hand, it has a negative impact because he has difficulty in pursuing the set performance targets.

Associated with the level of workload, an informant stated that his workload is not in accordance with the real conditions in the unit of organization (Satuan Kerja). With the number of existing employees and the ongoing process of organization unit staffing arrangements in the region, the

level of existing workload is considered not in accordance with the real needs. Several informant statements can be understood from the perspective of credit score collection targets. Indirectly, one informant pointed out the inaccuracy of his placement with a background as a Functional Position Personnel Expert Analyst at the Secretariat of the Directorate General of Climate Change Control.

Some research findings based on the interviews point to behavioral variables. One informant stated that to achieve a level of performance in certain conditions requires him to do tasks outside his main task as a Personnel Analyst. This is due to the difficulty in collecting credit numbers when relying only on the activities within the scope of the unit of organization (*Satuan Kerja*). This is often encountered in practice; for example, a committee member taking a CPNS exam and becoming a member of the credit score assessment team.

Furthermore, regarding the indicators of employee discipline level in carrying out work, the same informant stated that his work in arranging the administration of performance pay requires a high level of discipline concerning the accuracy of payment of performance pay set by the deadline of before the 10th of each month.

Related to discipline, the Head of Sub-Division of Job Planning stated that the first most important stage is an employee's willingness to come to the workplace (Personal communication, January 18, 2017). At this point, performance benefits motivate employees to want to come to

office on time. After that, the leader gives directions related to the implementation of duties.

Regarding the indicators of the level of cooperation among employees, Analyst of Human Resource Performance Program stated that the cooperation that exists both internally and externally runs well (Personal communication, January 23, 2017). Informants who are employees at the Center for Planning and Human Resource Development (*Pusrenbang SDM*) described the attitude of mutual help in doing certain tasks that are sometimes hindered by the limited human resources and budget.

Discussion on the variable of performance pay mechanism consists of three sub-variables, namely, the clarity of regulations on the provision of performance pay, the firmness in reward and punishment, and the timeliness of the performance pay. In clarity of the regulation concerning the provision of performance pay of MoEF Regulation No. P.74 Year 2015, it can be seen that a reduction in performance pay will affect employees in the following categories: (1) employees who do not meet the provisions of attendance; (2) employees with the status of "learning tasks"; (3) employees with the status of "study tasks"; (4) employees with extension status of the learning period; (5) employees who cannot collect the required credit score; (6) employees taking leave; and (7) employees subject to disciplinary sanctions. Each category will get a reduction whose magnitude will range from 0.5% (for an attendance infraction) to 90% (for an

employee subject to severe disciplinary sanctions). The informant stated that the provisions on the reduction of performance pay payments in practice are well known. The informant understands that any violation of the rules will result in a reduction; it could even lead to a termination of performance pay payments.

Regarding firmness in reward and punishment, based on the results of the interviews with a Personnel Analyst and a Personnel Officer at the Bureau of Personnel and Organization, the implementation of punishment has been done firmly. This means that when an employee does not actively submit evidence of absence, which may be a valid certificate, a reduction in the performance pay payments will be made. A similar opinion was conveyed by a Personnel Analyst at the Secretariat of the Directorate General of Climate Change Control.

As for the timeliness of performance pay, it can be seen that the giving or payment of performance pay has been done in a timely manner. This is in accordance with the provisions of article no. 22 of MoEF Regulation No. P.74 Year 2015, which mentions the payment of performance pay conducted every month by officials who handle the functioning of personnel.

Further, for the motivation variable, the discussion consists of two sub-variables: the motivation toward the achievement of performance and the implications of poor performance on promotion and demotion. In terms of motivation toward achievement of performance, in general, employees see that

the provision of performance pay is the same as the routine salary received every month. Therefore, they feel that performance pay will not change with improved performance. Furthermore, informants stated that employee performance remained stagnant, and the pay was not influencing performance, not even ensuring good attendance. In this case, cuts in performance pay also do not have a significant impact on employee motivation. Any amount of accumulated deduction of performance pay is not considered a problem because of the assumption that the performance pay only serves as a revenue increase to take home pay.

Regarding the change in mindset, from an assessment of the implementation of the bureaucratic reform of the MoEF, the process is not yet effective. There are not yet systematic and consistent improvements in work mechanisms, mindset, and culture. Thus, the provision of performance benefits for some unit of organization (*Satuan Kerja*) has not increased employee motivation at work.

However, there are also employees who feel that the performance benefits are relatively equal when compared with other sources of income. The difference is that the performance pay must be regularly paid every month while the other sources of income are not necessarily received every month. In this case, the provision of performance pay tends to increase employee motivation to attend work; this, at least, prevents them from violating the terms of working time. This condition can be found

at work units that have budget limitations for official travel and meetings.

The influence or implication of performance on promotion and demotion is also found in this variable. Promotion is one form of reward recommended by experts such as Perry and Petrakis (1988). Promotion is one of the key elements that will determine the successful implementation of a performance pay system. Promotions intended in this context are promotions and/or better positions. On the contrary, for employees who perform poorly, the consequence is the imposition of sanctions or demotion. Like promotion, demotion is one of the key elements that will determine the successful implementation of a performance pay system. In practice, both good performance and poor performance are considered for promotion and demotion.

Subsystem of Feedback

In terms of the subsystem of feedback, the interviews indicated that there has never been a study specifically directed to evaluate the performance pay system in the MoEF; however, in practice, every working unit directly related to both the Civil Service and Organizational Bureau as well as the Echelon-level technical unit of organization (Satuan Kerja) has the current system. In addition, an assessment of the implementation of bureaucratic reform has been conducted by external parties. Those assessments can be used as feedback for improvements to the current performance pay system.

In addition, results of the analysis found that there were several factors that affect the implementation of the performance support system in the MoEF, namely, employee commitment, job evaluation, leadership commitment, performance evaluation, and the funding system, as described below.

Employee Commitment. The importance of employee commitment in the application of the performance pay system is in line with previous research findings (Murphy, 2015). In addition, previous research also mentioned the need to build employee commitment by generating employee motivation. Thus, employees will be able to achieve performance targets.

The commitment of employees to not only work but to also achieve performance targets is influenced by the internal and external factors of the employee. Internal factors are related to the willingness of employees to build themselves in accordance with their competences. The ability to work together and the willingness to help other employees are also signs of employee commitment. On the external side, employee commitment is related to the way the institution generates employee motivation. In this case, rewards are designed to affect commitment.

Evaluation of Position. In the context of the provision of performance pay, job evaluation plays a role in determining the starting grade or the reassignment to a higher grade. Positions with a high workload get a higher class of position. Conversely,

a job with a low workload will get a low-ranking grade.

Based on the above information, accurate job evaluation will reduce the incidence of inter-employee sentiment problems that arise due to different class positions assigned. The result of job evaluation is the logical reason behind the determination of the position class for all employees. Therefore, evaluation of positions will help find the employee who best suits the positions.

Commitment of Leader. In this context, there are two interrelated leader roles. First, the leader acts as a mentor to their staff. Second, the leader acts as a decision maker. Efforts to improve the performance pay system will not work well without the leader's support because leaders ultimately decide on and prioritize efforts.

Performance Evaluation. The use of SKP as a tool to measure performance needs serious attention. In practice, several problems were highlighted. In system construction, SKP is better than DP3; however, if its problems are not immediately addressed then it will increasingly complicate efforts to improve it. Fair performance assessment will be able to determine the success of applying performance pay (Kim, 2016). This is certainly in line with the intent of using a 360-degree appraisal approach.

Funding System. The funding aspect affects the sustainability of the performance pay policy in the Ministry of LHK. This is

related to the commitment of each agency at the Echelon I level to meet budget efficiency in accordance with the mandate of Article 1 of the Minister of Industry Regulation No. 63 Year 2011. The availability of funding relates to the timeliness of payments of performance pay. However, the timeliness of payments from the perspective of reinforcement theory is very important.

CONCLUSION

This study concludes that the application of the performance pay system in the MoEF has not been effective in supporting the improvement of employee performance. Factors influencing the implementation of the performance support system in the MoEF include employee commitment, job evaluation, leader commitment, performance evaluation, and funding system.

Therefore, as an effort to overcome a number of problems in applying the performance pay system at the MoEF, the following alternative solutions can be applied: (1) a reward and punishment system, in which the value is adjusted to the level of employee performance achievement; 2) an effort to align performance pay system with employee performance; 3) a job performance standard and rater training to justify the analysis and also the paradigm change to assess performance as the baseline of performance pay system 4) adjustment of the implementation of e-performance by taking into account the internal needs and conditions of the MoEF; 5) the creation of a pilot project work unit that will serve as a guide for other working units in the scope of

its work; and 6) a review of the evaluation of the implementation of the existing performance/performance pay system.

Factors influencing the implementation of the performance support system in the MoEF should be prioritized in the process of improving the existing performance pay system. Therefore, the following alternatives are needed: 1) to encourage employees' commitment in achieving performance targets using rewards and punishments related to performance achievement; 2) to prepare job evaluations based on the dynamics of the position; 3) to encourage the commitment of leaders through reward and punishment associated with performance achievement; 4) in performance evaluation, to formulate performance standards and change the performance appraisal approach, especially for PKP assessment; and 5) in order for the financing of performance pay to be satisfied, to make consistent the efficiency and effectiveness of various program budget items.

Understanding the result of the study, there are several contribution or impact of this study. The knowledge generated by our research contributes to understanding the empirical condition of performance pay system which will become evident to review our current policy. The findings contribute to improving the cost-effectiveness of the public budget in term of the performance pay system. Further research about the best practices about performance pay and the enabling factors of the system is required.

REFERENCES

- Andrianto, F. G. (2013). *Analisis remunerasi di Balai Pengelolaan Daerah Air Sungai Unda Anyar di Bali [Remuneration analysis at the Unda Anyar River Water Management Center in Bali]* (Masters' thesis), Universitas Gadjah Mada, Indonesia.
- Armstrong, M. (2010). *Armstrong's essential human resource management practice: A guide to people management*. London: Kogan Page.
- Dessler, G. (2014). *Fundamental of human resource management* (3rd ed.). London: Pearson Education Limited.
- Irwin, K., Mulder, L., & Simpson, B. (2014). *The detrimental effects of sanctions on intragroup trust: Comparing punishments and rewards*. *Social Psychology Quarterly*, 77(3), 253-272.
- Ivancevich, J. M., & Konopaske, R. (2013). *Human resource management* (12th ed.). New York: McGraw Hill Education.
- Kim, J. (2016). Impact of performance appraisal justice on the effectiveness of pay for performance system after civil service. *Journal of Public Personnel Management*, 45(2), 148-170.
- Kumrotomo, W. (2011). Tunjangan Kinerja Daerah (TKD) dan upaya peningkatan kinerja: Kasus di provinsi Gorontalo dan provinsi DKI Jakarta [Regional Performance Allowances (TKD) and performance improvement efforts: Cases in the Gorontalo province and DKI Jakarta province]. *Jurnal Kebijakan dan Manajemen PNS*, 5(1), 21-34.
- Kumrotomo, W., & Widaningrum, A. (2010). *Reformasi aparatur negara ditinjau kembali [A review of state apparatus reformation]*. Yogyakarta: Gava Media.
- Law of the Republic of Indonesia 2014 no. 5 (Id.)*.

- Lawler, III, E. E., & Edward, E. (1973). Expectancy theory and job behavior. *Journal of Organizational Behavior and Human Performance*, 9(3), 482-503.
- Lunenburg, F. C. (2011). Goal-setting theory of motivation. *International Journal of Management, Business, and Administration*, 15(1), 1-6.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. California: Sage Publication.
- Ministry of State Apparatus Empowerment and Bureucracy Reform Republic of Indonesia. (2011). *Regulation of the Minister of State Apparatus Empowerment and Bureaucracy Reform No. 63 of 2011 on Guidelines for Structuring the Performance System of the Performance of Public Servants*. Jakarta, Indonesia: Author.
- Mujtaba, B. G., & Shuaib, S. (2010). An equitable total rewards approach to pay for performance management. *Journal of Management Policy and Practice*, 11, 114.
- Murphy, B. (2015). *The impact of reward systems on employee performance* (Masters' thesis), Dublin Business School, Dublin, Ireland.
- Neuman, W. L. (2009). *Social research methods: Qualitative and quantitative approaches* (7th ed.). Boston: Pearson.
- Perry, J. L., & Petrakis, B. A. (1988). Can pay for performance succeed in government? *Journal of Public Personnel Management*, 17(4), 359-367.
- Seijts, G. H., & Gandz, J. (2018). Transformational change and leader character. *Business Horizons*, 61(2), 239-249.
- Shiomy, S. W. R. (2014). *Dampak pelaksanaan sistem kompensasi berbasis kinerja terhadap peningkatan kinerja pegawai negeri sipil (PNS) di Dinas Cipta Karya dan Tata Ruang Kota Surabaya* (Doctoral thesis), Universitas Airlangga, Indonesia.
- Simanungkalit, J. H. U. P. (2012). *Sistem kompensasi pegawai negeri sipil di Indonesia* (Doctoral thesis), Universitas Indonesia, Indonesia.
- Skinner, B. F. (1953). *Science and human behavior*. New York: Macmillan.
- Wei, L. T., & Yazdanifard, R. (2014). Impact of positive reinforcement on employee's performance in organizations. *American Journal of Industrial and Business Management*, 4(1), 9-12.