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Civil Service Reform in Indonesia: Culture and Institution Issues

Prijono Tjiptoherijanto

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Department of Economics, Faculty of Economics
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Editors: Djon Hartono, Beta Y. Gitaharie, Femmy Roeslan, Riatu M. Qibthiyyah

Setting: Rus'an Nasrudin

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Department of Economics Building 2nd Floor

Depok

West Java, Indonesia 16424

Telp. 021-78886252

Email: rusan.nasrudin@gmail.com

Web: <http://econ.fe.ui.ac.id/workingpage>

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Civil Service Reform in Indonesia: Culture and Institution Issues [☆]

Prijono Tjiptoherijanto^a

^a*Department of Economics, University of Indonesia*

Abstract

In adapting to the globalization era, the Indonesian government has to improve the structure of its bureaucracy, both in terms of enhancing the quality of government employee, and developing a modern and efficient government system. As with any reform, strong and determined leadership is crucial. While good governance is central for anticipating the challenges of global competition, Indonesia must also undertake civil service reforms to achieve a cleaner and more efficient bureaucracy.

JEL Classifications: H11

Keywords: decentralization, culture dimension, institutional reform

1. Introduction

Indonesia had a large member of civil servants, approximately 3,74 million or 1,3 % of the 2010 population. In adapting to the globalization era, the Indonesian government has to improve the structure of its bureaucracy, both in terms of enhancing the quality of government employees, and developing a modern and efficient government system. The development of human resources would improve the quality of services provided to citizens. Currently this task is especially significant in Indonesia as the country is confronting a variety of new developments such as democratization and decentralization.

2. Size of Civil Service

These percentages are similar to those other countries in the region, such as India (1,2%) Pakistan (1.5%), the Philippines (2.1%) and

Vietnam (3.2%) (Schiavo-Campo, 1998).

Size of civil servants in Indonesia was growing-up since the end of colonialization period. At the end of the Dutch colonial rule, around 50,000 persons were employed in the civil service, with only a small portion of Indonesians occupying senior positions (Bintoro 1991 : 75) The number of civil servants increased drastically after Indonesia gained her independence. In 1950 the civil service employed around 303,500 persons and in 1960 around 393,000. The number of civil servants per 1,000 inhabitants increased from an estimated 1.1 in 1940 to 3.7 in 1950 and 4.1 in 1960. The second large increase in the number of civil servants came in the 1970s, when increased revenue from oil allowed the government to expand its scope of activities. From around 525,000 in 1970 the number of civil servants increased to more than 2 million in 1980. Calculated per 1,000 inhabitants the number increased from 4.4 to 13.9 during the same period (all figures from Evers/Schiel 1988). From 1986 to 1992, the civil service grew by 25 percent, with a sig-

Email address: prijono@yahoo.com (Prijono Tjiptoherijanto)

nificant lower growth rate in the latter years of this period. The number of civil service reached its peak in 1993 with slightly more than 4 million positions, or 21,8 civil servants per 1,000 inhabitants. This number remains same with slightly increase to became 4,6 million in 2012.

3. Salary System

At the same time, eventhough the number of civil servants in Indonesia is equivalent to only about 1.3 percent of the total population, the quality of government employees is low. This is partly an outcome of the unattractive salary system. To attract effective, efficient, and uncorrupt government employees, they need to be provided with appropriate salaries and benefits. Appropriate compensation will not only have an impact on staff turnover and on employees productivity and quality of work, but will also reduce tendencies for civil servants to engage in corrupt practices.

Salaries for Indonesian civil servants are determined by the level of responsibilities, the type of job, and the cost of living. The salary system for government employees in Indonesia is classified in a combination scale system since it combines the single scale system and the double scale system. Under a single scale system, employees at the same rank receive the same salary regardless of the type of job and the level of responsibilities. Under a double scale system, salaries are determined based on employees' level of responsibility and types of job. Job performance is not generally taken into account. Under the combination scale system, some civil servants might have significantly higher salary than their colleagues at the same rank.

Civil servants are divided into four ranks, from 1 (the lowest) to IV (the highest), each with a basic salary scale. Ranks I through III are divided into four grades (a, b, c and d), and rank IV has five grades (a, b, c, d and e), making a total of 17 grades from I a to IV e. Individual civil servants' ranks are based on their

educational qualifications and seniority. Ranks III and IV require a university degree. The basic salary for a civil servant at rank I a (primary and junior high school graduates), regardless of the job held and the level of responsibilities, is around US 66 *per month*, or a little over US 2 per day. The salary for an employee at rank IV e with 32 years of service is the average salary of a chief executive officer of an Indonesian state-owned enterprise. In fact, income disparities between the private and the public sector are widening. The income earned by civil servants in Indonesia is just one-quarter, or at best one third of what employees of private companies receive (Tjiptoherijanto, 1996).

In recent years, the government has become aware of the need to link civil servants' salaries to those paid in the private sector if they are to attract and retain the talent necessary to improve and sustain public sector performance. When income inequality among staff is deliberately increased, senior management positions become more attractive than was previously the case. In theory, an egalitarian pay structure is more attractive to those in the lower ranks of the civil service, whereas a pay structure that more clearly differentiates between staffs at different levels is conducive to recruiting and retaining talent that might move to the private sector (United Nations, 2005). However, Indonesia's salary structure is moving towards an egalitarian system, resulting in most of its best graduates from well-known and highly qualified universities uninterested in becoming government employees. Moreover, the low salary tend to encourage wrongdoings and illegal activities such as accepting bribes and asking for compensation for services provided.

In Indonesia, as in many developing countries, allowances and in-kind benefits play a substantial role in remunerating public sector employees, which is why determining the right balance between pay, benefits and allowance is very important. In Zambia, for instance, permanent secretaries earn 50 times as much as

Table 1: Growth of the civil servants (1950-2012)

Year	Number of Civil Servants	Civil Servants per 1000 inhabitants
1950	303.500	3.7
1960	393.000	4.1
1970	515.000	4.4
1980	2,047.000	13.9
1993	4,009.000	21.8
2012	4,646,357	19.7

Source: Own calculation

the lowest-paid civil servants when in-kind benefits (housing, cars, telephones, and so on) are taken into account, but if such benefits are excluded, the difference is only fivefold (Kenleers, 2004). Moreover, where “moonlighting” and corruption prevail, senior civil servants will earn more than junior ones, as they are likely to have more opportunity to engage in such activities.

The income of civil servant in Indonesia consists basically of three elements :

1. The basic salary which based on the rank and grade of the civil servant
2. Various standardized allowances, like rice and family allowances, structural allowances (for holders of structural positions), functional allowances (for holders of functional allowances), and special allowances for civil servants working in remote areas (like Papua; in the past)
3. Other salary supplements in cash or kind, like Idul Fitri (the Moslem’s holliday) bonuses, provisions of transport to and from the office, housing, daily subsistence allowances for official travel, and medical care.

Although in principle the conditions of service regarding salaries, allowances, working hours, etc, are uniform throughout the Indonesian civil service, the regional government since implementation of the decentralization policy practiced attractive compensation to the servants in respected regions.

4. Impacts of Regional Autonomy

The extremely low salary of government employees has changed somewhat since the implementation of Indonesia’s decentralization policy in early 2001.

Proponents of decentralization see it as a process that enables more efficient allocation of resources, reduces information asymmetries, increases transparency, promotes citizen participation, and enhances accountability, thereby improving governance. Local governments are often more aware of and attuned to the needs of local populations than the central government, which means that local governments may have a clearer sense of which projects and policies people living in their jurisdictions would favor. This will have an impact on the duties of civil servants in different regions.

The other impact of decentralization include improved conditions for some regional civil servants. For example, in Riau Province in West Sumatra, as of December 2006, a decree by the governor gave civil servants of the lowest rank (I a) and additional Rp.1.6 million (around US \$ 160) per month while those at the highest level (IV e) received a pay increase of Rp.4.5 million (around US \$ 450) per month. Thus the most senior civil servants in Riau are paid more than twice the basic salary that central government civil servants of the same rank receive. With a salary of US \$ 657 (base pay of US \$ 207 plus US \$ 450) per month, civil servants in Riau earn almost as much as middle

managers in the business sector in Jakarta, the capital.

In addition to regional civil servants being paid more in line with their rank, their functional professions are also recognized by means of additional functional allowances. For example in East Kutai Regency at East Kalimantan Province, since 2006, elementary and high school teachers have been paid an additional allowance of Rp. 1.2 million (approximately US \$ 120) per month. Therefore these teachers, who ranked II or III, have monthly income of around US \$ 250 to US \$ 290, which is much more than the minimum wage in the province set by government decree with more or less US \$ 150 a month.

Nevertheless, despite some improvements following the implementation of decentralization policy or regional autonomy, Indonesia's public sector still needs to undergo substantial change, especially with regard to establishing institution and culture which are relevant to the civil service system.

5. Culture of Civil Service

The culture of an organization can be defined as the set of values, attitudes, norms, shared beliefs and mental orientations that shape and determine the behavior and expectations of the members of that organization. The organizational culture has an internal effect by stimulating cooperation of the organization's members, by strengthening the feeling of togetherness and by unifying them in pursuing the objectives of the organization.

Organizational culture can be created, influenced and charged by various means. Mission statements define the objectives of the organization and thus help to create a joint understanding of the purpose of the organization. The formulation of leadership principles can determine leadership styles and the roles and mutual relationship of subordinates and superiors. The formal structure of an organization determines among others the number of hierarchical

levels. This and the working procedures influence the scope of individual authority and decision – making. The system of rewards and sanction, symbolic forms of communication, dress-codes all these aspects come together to create the culture of the organization.

In countries such as Indonesia where civil servants, like politicians, are key government decision makers, government employees are sometimes viewed as community leaders. In this sense, civil servants may be expected to perform many duties in the community where they live, following practices established during the Dutch colonial era. Such role calls for adherences to norms and morality, meaning the civil servants must avoid irregularities and always obey the rules when conducting their activities (Magnis, 1996; Natakusumah, 1990). Therefore, civil servants should not engage in illegal activities such as bribery, corruption and other misconducts.

Friederich (1940) noted growing importance of internal values and moral and professional standards among bureaucrats. In their absence, abuse of power can easily arise in the government sector.

A recent study by Meir and O'Toole (2006) shows that bureaucratic values are far more important in explaining bureaucratic output and outcomes than political factors. This should be taken to mean that external political control is unimportant, but it does show that paying serious attention to the values of civil servants is important.

Ensuring that civil servants give high priority to honesty, responsibility, and integrity with regard to their routine duties can be accomplished through well planned human resource development. Human resource development for civil servants starts with their recruitment and continues until they leave government service. Recruits should undertake job and requirement analyses before undertaking recruitment activities. Furthermore, to allow the civil service to select the best candidates, the recruitment

process should be fair and open.

The next step in human resource development for civil servants is education and training. This should be provided regularly for those at every level, as is already done in the armed forces. Considering the importance of trainings, in Indonesia training and education plays a major role in the effort to increase the quality of civil service. However, training and education (*pendidikan dan pelatihan – diklat*) aims not only at the improvement of job-and work-related skills and knowledge. Forming the attitudinal and behavioral characteristics of civil servants, and ensuring their political allegiance with the programme of the government has always been an integral part of the human resources development programmes of the government.

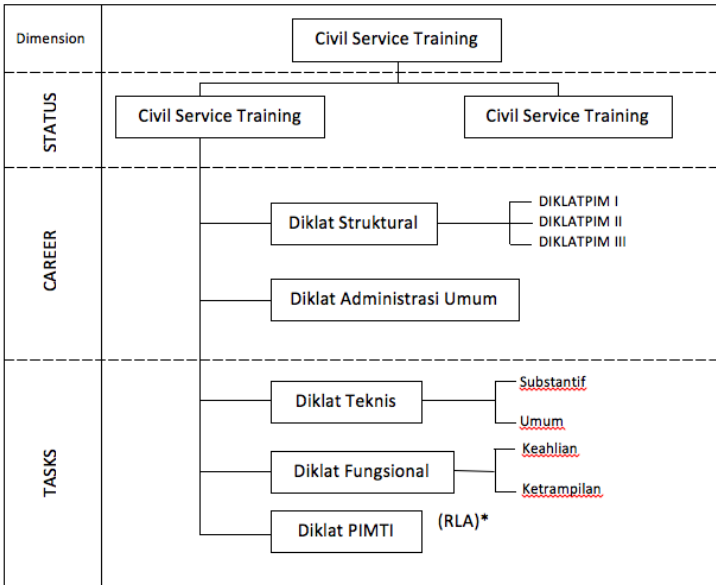
In order to have maximum result training should be linked to career development and personnel planning. The training process should cover training needs identification, implementation and evaluation of training. Training in the Indonesian civil service can be analyzed under different dimensions as shown in Figure I below the dimension of status, of career and of tasks.

- a. Structural training is a career development training for those civil servants holding structural positions. In order to be eligible for promotion to the *eselon* III, *eselon* II and *eselon* I level, civil servants have to attend the respective training courses (*DIKLATPIM* III for *eselon* III, *DIKLATPIM* II for *eselon* II and *DIKLATPIM* I for *eselon* I). Attendance of these courses is by selection and assignment. Since structural positions are general management positions, the structural training courses cover a broad range of subjects including functional management, general aspects of management and leadership, management techniques, interpersonal and communication skills as well as political and economic issues. The main objective of the training

is to increase the management capabilities of the participants, and to build up a cadre for the administrative (and political) leadership of the bureaucracy.

- b. Functional training is training for the holders of functional positions. Although it has an influence on the career development of the respective civil servants, its main purpose is to increase the knowledge in the respective professional field. Functional training is differentiated depending on whether it aims at improving the general competence and knowledge of the participants (*diklat fungsional keahlian*), or whether it aims at the improvement of specific skills (*diklat fungsional ketrampilan*). Functional training can also be attended by holders of structural positions, if the functions of the structural position require that specific knowledge.
- c. Technical training is related to the immediate tasks of a civil service position, irrespective whether it is a structural or functional position. While technical training linked to the direct job assignment institution (*diklat teknis substantif*) is implemented by the individual government institution, general technical training (*diklat teknis umum*) (e.g. in project management, job analysis) is implemented centrally by the National Institute for Administration (LAN).
- d. General Administration training is a preparatory administrative and management training for those civil servants who are being promoted to the structural positions of *eselon* V dan IV level. The main purpose is to provide the participants with basic managerial capabilities (like integrated work planning) and administrative skills.
- e. The National Leadership Training is a new training course for holders of *eselon* I positions, its main purpose is to broaden the political and administrative perception of these most senior civil servants, to increase

Figure 1: Dimensions of civil service training.



Source: Author *) Reform Leader Academy (proposed recently) Each of these training categories has its own characteristics in terms of content, target group objectives and its link with the career development; shown by rank or structural position (eselon); of the participants.

their understanding of government policies and of the factors influencing the policy-making of the government. Recently, the Indonesian government has introduced another kind of leadership training so-called the Reform Leaders Academy (RLA) in which the main objectives is equipping eselon I dan eselon II with the bureaucratic reform's skills and expertises which become a top priority of the government's programme.

6. Institutional Reform

In Indonesia, three central government institutions have task and functions related to the civil service matters starting from planning, recruitment, training, salary and pension systems. They are the Ministry for Administrative and Bureaucracy Reform (MENPAN & RB), the Civil Service Agency (Badan Kepegawaian Negara; BKN) and the National Insti-

tute for Administration (Lembaga Administrasi Negara; LAN).

However, to have an effective and efficient public service, a special institution responsible for human resource management, should be established. This body is often referred to as the civil service commission (CSC) or public service commission. In the Republic of Korea, the CSC established in 1999 has been leading the country's major civil service reform initiatives. In 2004, those personnel management functions that still remained under the purview of the Ministry of Government Administration and Home Affairs were transferred to the CSC, thereby resulting in a single, central personnel authority for the Korean Government (Kong, 2006). In New Zealand, in 1999 the state service commissioner asked to be given responsibility for developing a solution over the lack of corporate capacity in the public service. Since that time, New Zealand's public service has increasingly moved to address a wide range of ser-

vices and human resource management issues from a corporate perspective (United Nations, 2005).

Once a CSC has been set up, questions frequently arise pertaining to the commission's relationship with line ministries and agencies. Thus once a government decided to establish a CSC, it must clearly delineate the division of responsibilities in relation to resource management among central government departments and agencies. In many countries, responsibilities for human resources management in the civil service are along the line shown in Table 2.

The structure outlined in Table 2. resembles the model prevalent in the Commonwealth of Nations, especially with respect to the role of the CSC. Nonetheless, countries such as Korea and Thailand have similar arrangements in place. As yet, Indonesia does not hold a CSC. Even though Law No.43/1999 stated that CSC should be established, the government does not currently have any plans to establish such a body. Therefore the division of responsibilities in relation to human resources among line ministries and other public sector entities is as shown in Table 3.

Thus, as shown in Table 3, the management of human resources in the civil service is not carried out by an independent body that reports directly to the president, but by institutions that are part of the government bureaucracy.

7. Concluding Remarks

Since the 1980s, many countries, including Asian countries, have engaged in major efforts to promote administrative reform, focusing on openness, transparency, and accountability of government administration. Each country, regardless of their economic circumstances or development stage, requires good governance. For some Asian countries this becomes particularly important after the 1997 Asian financial and economic crisis.

In Indonesia, following the fall of the New Order Government in 1998, a political movement emerged which pursued reforms in relation to politics, the economy, the judicial system and public administration. Law No. 22/1999 on Decentralization and Law No. 43/1999 on Civil Service Administration opened new possibilities for public service reform in Indonesia, but the country still has a long way to go in achieving a high-quality civil service. As with any reform, strong and determined leadership is crucial. While good governance is central for anticipating the challenges of global competition, Indonesia must also undertake civil service reforms to achieve a cleaner and more efficient bureaucracy.

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Table 2: Responsibility for Human Resources Management in Central Government Agencies

Agency	Function
Office of the Prime Minister	Overall government policy
Ministry of Finance	Pay and pensions
Ministry of Public Service	Development and conditions of service for civil servants
CSC	Appointments, promotions, transfers and discipline
National Administrative Staff College	Staff training and development

Source : Adapted from United Nations (2005, Table 6)

Table 3: Institutional Responsibilities for Human Resource Management in Indonesia.

Agency	Function
Office of the President (State Secretariat and Cabinet Secretariat)	Overall government policy
Ministry of Finance	Civil service pay and pensions (state-owned enterprises are responsible for their own pay and pensions under the supervision of the State Ministry for State-Owned Companies)
Ministry of Administrative Reforms (MENPAN & RB)	Supervision, coordination, monitoring and evaluation of all civil services matters, including supervision and coordination of the National Agency for the Civil Service and the National Institute of Public Administration
National Agency for the Civil Service (BKN)	Appointments, promotions (except at the highest levels, which are managed by a team chosen by the President), and transfer
National Institute of Public Administration (LAN)	Education, training and organizational design

Source : Author