

Remuneration for Welfare Distribution - Evidence From Indonesia

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Abstract—This study aims to reveal the welfare distribution after the implementation of remuneration policy at X Health Polytechnic in Indonesia. Claims that remuneration policy will establish internal and external justice in an organization encourage the researcher to employ Political Economy of Accounting theory as the analysis tool. The results indicated that the implementation of remuneration policy at X Health Polytechnic was fairly strong according to single salary principle. As a consequence, honorarium is no longer a component of remuneration except operational honorarium which is still allowed by the Public Service Agency (BLU) to be included in the working unit budget. The next consequence after the implementation of remuneration policy is that the financial performance is getting better compared to the period before remuneration. However, the remuneration load is also increasing. In addition, the welfare distribution caused by the remuneration policy triggers social jealousy between headquarter and branch office employees because the amount of remuneration received is similar despite work load differences. The originality of this study addresses the challenges of Indonesian higher education management in implementing remuneration policy.

Keywords—Public Service Agency, Distribution, Political Economy of Accounting, Remuneration, Single salary

I. INTRODUCTION

Indonesia is one of the countries dealing with a below average health quality. In 2019, the Bloomberg's survey on Healthy Country Index presented the list of top 50 healthiest countries, and Indonesia was not included [1]. In addition, in terms of the health system, the World Health Organization (WHO) survey in 2010 showed that Indonesia ranked 92 out of 190 countries [2]. Furthermore, in relation to the health services, especially in the Asian region, surveys from other institutions such as Numbeo (2019) [3], mentioned that until mid 2019, Indonesia ranked 18 out of 30 countries.

The facts above suggest the low quality of health in Indonesia. Surely many factors contribute to it, including the availability of health workers [4]. To guarantee and ensure the availability of competent and competitive health workers, the Ministry of Health of the Republic of Indonesia (Kemenkes RI) mandates the Health Workforce Development and Empowerment Agency (PPSDMK) to carry out the planning, procurement, utilization and development and supervision of health workforce quality programs.

In carrying out the function of procurement of health workforce, PPSDMK oversees 38 Health Polytechnics, which

have a major role in providing health education services. The existence of these Health Polytechnics is expected to be able to produce competent and quality health workforce throughout Indonesia [5].

In reality, some Health Polytechnics have not been included as a Work Unit (*Satker*). There are 18 Health Polytechnics which hold the status as a Public Service Agency (BLU). This complicates the control on and designation of their financial management by PPSDMK. It suggests that by being a BLU, a Health Polytechnic might become autonomous in its operations, especially in terms of financial management. Although still an integral part of the government under the Ministry of Health, implementing sound business practices is highly permissible for them to generate income. As a BLU, a Health Polytechnic has the flexibility in conducting its financial management, including the provision of compensation or remuneration for employees in accordance with each performance. As suggested by Fadila (2016) [6], remuneration can improve motivation and performance of employees, and it implicates the fulfilling of PPSDMK's expectations in the provision of quality health workforce.

The BLU status on some Health Polytechnics is economically, socially, and politically influential. From an economic perspective, this encourages the Health Polytechnic to conduct its financial management independently to reduce the operational burden on the State Budget (APBN). Furthermore, from a social perspective, the welfare enjoyed by stakeholders is a result of economic influence. As from a political perspective, the Health Polytechnics shall strengthen the internal legal foundation of the organization to facilitate the interests of stakeholders and shareholders. It is at this point that the issue of remuneration becomes the main focus. With remuneration, the activities of all Health Polytechnics with BLU status are expected to become more efficient and effective, and fairness for the stakeholders can be realized. But in the end, the distribution of welfare is questioned as the BLU revenue increases.

The reality of this remuneration is portrayed from the perspective of the Political Economy of Accounting (PEA). Cooper & Sherer (1984) [7] identify three characteristics of PEA, including recognizing the existence of power and conflict in society on organizational performance, exploring the specific history and institutional rules in which accounting is practiced, and recognizing the dynamic accounting function in society as various accounting policies are inseparable from people's motivation to achieve prosperity.

This paper aims to expand the use of PEAs by revealing the distribution of welfare following the implementation of the remuneration policy at X Health Polytechnic in Indonesia. This paper is divided into several subheadings, including: methods, results and discussion, and conclusion.

II. METHODS

This is a qualitative research using a case study approach. The research site was the *X Health Polytechnic* under the Ministry of Health in Indonesia. X Health Polytechnic is a pioneering health polytechnic in East Java under the Ministry of Health registered as a BLU. Considering the consequences, PEA was used in this study like a camera, to capture the issue of fairness for both direct and indirect stakeholders. There were two data sources used in this study, including the primary and secondary ones. Primary data were obtained from interviews, direct observation and participation, while secondary data were obtained from several documents, including the Law, Government Regulations, Regulation of the Minister of Finance, Regulation of the Director of the Health Polytechnic, Standard Operating Procedures, and other documents related to remuneration.

III. RESULTS AND DISCUSSION

A. *Umbrella of Remuneration Regulations*

In 2011, according to the Decree of the Minister of Finance Number KMK.292/KMK.O5/2011, X Health Polytechnic is officially a BLU. With this status, the implication is not limited to financial management only. It also includes the management of human resources (HR) and assets. Furthermore, it implicates the flexibility in implementing sound business practices to improve the services for the community.

X Health Polytechnic officially implemented the remuneration policy as of January 1, 2016 with the Decree of the Minister of Finance Number 262/KMK.05/2016. The amount of organs receiving remuneration is regulated based on Decree of the Director of X Health Polytechnic Number: HK.02.03 /2.1/0189/2019 concerning the organizational structure of X Health Polytechnic for the period 2018-2022.

B. *Pattern of Remuneration Policy Implementation*

The Regulation of the Minister of Health of the Republic of Indonesia No. 68 of 2014 states that the main components of remuneration in the X Health Polytechnic consist of pay for position, pay for performance, and pay for people [8].

The proportion of the three remuneration components in the X Health Polytechnic is divided into 30% P1 (pay for position), 70% P2 (pay for performance), and P3 (pay for people, including supervisory board fee, equalization of performance benefits if the amount of employee remuneration is smaller than the performance allowance, and health and employment payments for non-civil servant employees).

The pay for position component is under the Decree of the Director of X Health Polytechnic Malang No.: HK.02.03/2.1/591/2019, determining the amount of remuneration based on the rank of employee position. Consequently, the formation of X Health Polytechnic

performance appraisal officials was based on the Director's Decree No.: HK.02.04/1/0030/I/2016 on January 5, 2016.

The pay for performance component is based on the Regulation of the Director of X Health Polytechnic No. HK.0203/1/0102/I/2017, stating that the performance appraisal mechanism based on individual logbooks is carried out on educational staff. The minimum target is 26%, or the equivalent of 26 hours per month, and the maximum one is 150%, or the equivalent of 150 hours per month. On the other hand, the rubric contained in the Remuneration Performance Credit Unit (SKKR/SK2R) is used for the assessment of educators (lecturers). The key performance indicator (KPI) used for the assessment of educators (lecturers) and educational staff with Additional Task Positions is elaborated by Ms. D as follows:

[...] we have performance indicators here. We divided the performance appraisal for employees into three categories. *First* is the employee with additional tasks; they could be the lecturers or the educational staff. *Second* is the performance of the teaching staff. *Third* is the performance of employees with additional tasks, assessed using the Q Performance Indicator or QPI. The indicators are derived from the ones determined by the director of the BLU Health Polytechnic. (Interview on September 19, 2019).

Remuneration is based on Regulation of the Director of X Health Polytechnic No.: HK.02.03/1/0102/1/2017 stating that employee benefits in the form of salary, honorarium, fixed allowances, bonuses for achievement, severance pay and pension funds are accumulated in the form of salaries and incentives for achievement, generated from Non-Tax State Revenues (PNBP) and Counterpart Fund.

The remuneration interpretation above explicitly states that the employee benefits received are only salaries and incentives which are the accumulations of all the above components. This scheme is close to remuneration characteristics with the principle of single salary implemented by X Health Polytechnic, stated by Mrs. A as follows:

Yes, that is right ... so we design the remuneration not to turn out as a double salary. For example, in a research and community service, if we already have the budget from the state budget, we call it a regular because it's routine, we cannot claim it for our remuneration to SK2R [9]. Except if the results from funded research and community service, which is called BUPTN, are published, then we can later claim to SK2R. An unreputable and unaccredited national publication does not count, according to the guideline. It also cannot be submitted for ranking upgrade or accreditation of study programs and institutions. If it's just an unreputable national journal, it will result in a very minimal appreciation nationally through SINTA one, two, until six. The ones recognized are only SINTA one and two. Accreditation A or accreditation B from the Ministry of Higher Education is also taken into consideration, as well as international publications. We also have made the guideline for reputable accreditation, I cannot show it

now, but I can print them later if needed (Interview on September 19, 2019).

Elaborated by Mrs. D as follows:

[...] because here, in X Health Polytechnic, there is no fee system anymore. Every performance will not be awarded with some kind of fees, since we have adhered to a single salary system. Before the remuneration, we had the fee system; fees for financial management, for preparing the financial statements, for preparing the budget. There were still divisions for those tasks, causing it to be unfair to the people whose names not listed in the division on the final report. Now, when people perform the job, there will always be a reward. (Interview on September 19, 2019).

The single salary in X Health Polytechnic is interpreted by Mrs. D as follows:

[...] I interpret the concept of a single salary like this: if one has been given a remuneration, like P1 and P2, then there will be no more expenses in the form of fees. Because all of them are included in one package already. For example, when a treasurer has received their remuneration, they will not receive any other fees. The same thing applies to the lecturers. For them, there is a rubric assessed related to supervising. Before remuneration, their teaching and testing performance will be awarded with a fee. As we have embraced the concept of a single salary, meaning that our paycheck is collected in one package, it is no longer possible to have other expenses in the form of fees. For example, when there is a graduation ceremony or there are activities outside our main duty, we are not going to get fees, but the graduation activities can be accommodated in their log book. Thus, it can be seen that the workload has been rewarded from remuneration not other fees (Interview on September 19, 2019)

What needs to be underlined is the interpretation of the principle of single salary being in line with government discourse based on Law No. 5 of 2014 on Civil Servants and Government Regulation No. 11 of 2017 on the Management of Civil Servants, governing the new model of remuneration of Civil Servants.

C. Performance Before and After the Remuneration Policy Implementation

The financial performance of X Health Polytechnic based on the realization of income and employee expenditure (Remuneration) from 2015 to 2018 experiences a significant increase each year. All revenue and expenditure activities presented in Fig. 1 below are entirely generated from non-tax revenue (PNBP). This shows the autonomy of X Health Polytechnic in carrying out its function.

The remuneration proportion shows 35% in 2016, 37% in 2017, and 39% in 2018, reflecting that the realization of the annual remuneration is still far below the threshold set by the Minister of Health of the Republic of Indonesia, in the Regulation No. 68 of 2014, which requires 50% of total PNBP. In reality, X Health Polytechnic stipulates a remuneration policy of 48% of PNBP.

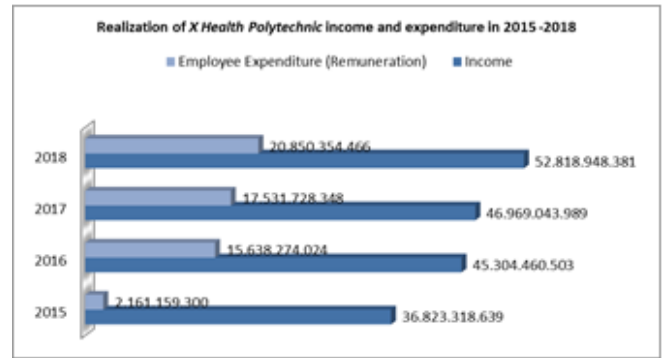


Fig. 1. Realization of X Health Polytechnic income and expenditure
Source: Processed Data, 2019

Additionally, the financial performance of post-remuneration also shows a positive impact.

Employees are increasingly diligent and participative in improving quality, as expressed by Mrs. D:

The impact is extraordinary, especially for improving performance employee. Firstly, for the educational staff, when they did not get remuneration, it did not matter financially whether they worked diligently or not. With remuneration, those who are diligent will have better results of performance appraisal. If they are not diligent then they will not get any remuneration. So They have to look for any job or activity to do because they want the rewards. (Interview on September 19, 2019).

Based on data in X Health Polytechnic, employees who do not get pay for performance incentives (P2) have 0% performance in the "logbook". The highest percentage for employee achievement is 100%. The number of employees succeeding in achieving logbook performance increases from 80% in 2016 to 100% in 2017. The average achievement of logbook performance has decreased from 82% to 75%.

There were 70 lecturers achieved the highest achievement in the academic year 2015/2016, within 30-40% range, while in the 2016/2017 academic year, there were 59 lecturers within 30-40% range. This increase is reflected in the number of lecturers achieving 50-60% performance in 2016/2017. But for 100% performance achievement, there was only one lecturer who did it.

D. Distribution

According to the Regulation of the Minister of Health of the Republic of Indonesia No. 68 of 2014, there are four principles of fairness underlying remuneration in X Health Polytechnic, including: fairness in distributing the remuneration, fairness of job appreciation, fairness of performance appreciation, and fairness of individual appreciation. This is emphasized by the following statement by Mrs. D, stating that remuneration is considered fairer than performance allowance (*Tukin*):

[...] Remuneration means that performance reward is in accordance with the performance given by the employee. Before this, *tukin* was only based on the finger-print attendance so if one did not come to work, or they came to work late, then the performance allowance (*tukin*) would be deducted. With remuneration, employees with

excellent performance, or those non-performing ones, will be easy to recognize. The remuneration will not be paid if there is no achieving performance. When it was still the era of performance allowance (*Tukin*), employees who were diligent would receive the same income as those who were lazy (Interview on September 19, 2019).

According to the Regulations of Ministry of Health No. 68 of 2014, the factors considered in remuneration include: feasibility, proportionality, equality, propriety, and performance [10]. By implementing these five factors in evaluating the remuneration in X Health Polytechnic, those who are diligent will definitely receive more remuneration, and those who are lazy will suffer.

The spread of X Health Polytechnic's study programs in several cities in East Java is explained by Mrs. D as follows:

The X Health Polytechnic is the central campus. We have 23 study programs spread in several cities in East Java, including Blitar, Kediri, Jember, Lawang, Ponorogo and Trenggalek. (Interview on September 19, 2019).

There is a consequence of social jealousy that arises because the remuneration amount is the same among campuses with different locations and different workloads. Mrs. D states the following:

[...] Now, the equal rights can be realized. For example, Mrs. R is in Blitar, I am in Malang. The campus in Blitar is not as big as the one in here, and the assets are not as abundant. The workload is not as demanding, too. But the amount of my remuneration and Mrs. R's are the same. In the other regions, the remuneration will be the same as here, even though the workloads here may be more demanding (Interview on September 19, 2019).

The X Health Polytechnic remuneration pattern decides on the policy by no longer issuing fees for routine activities which have become the duties and functions of employees, except the operational fees for KPA, PPK, and PPSPM [10]. The operational fees consist of the fee for KPA (Proxy of Budget Users), PPK (Commitment Making Official), PPSPM (Authorized Signatory Officer of Warrant Payment), treasurer of expenditure, fee for procurement officials regulated in PMK No. 37/PMK.02/2018.

Re-emphasized by Mrs. D as follows:

[...] because here, in X Health Polytechnic, there is no fee system anymore. Every performance will not be awarded with some kind of fees, since we have adhered to a single salary system. Before the remuneration, we had the fee system; fees for financial management, for preparing the financial statements, for preparing the budget. There were still divisions for those tasks, causing it to be unfair to the people whose names not listed in the division on the final report. Now, when people perform the job, there will always be a reward. (Interview on September 19, 2019).

IV. CONCLUSION

The reality of the remuneration of X Health Polytechnic shows that the remuneration regulation in its environment is strong enough to carry out remuneration policies according to the principle of single salary. In addition, the distribution of welfare creates social jealousy among employees because the amount of remuneration received is the same while the density of work is different. Therefore in the next research it is expected to find a fair pattern of remuneration.

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