

The Analysis of the Civil Servant Payroll System from the State Civil Apparatus Management Perspective

(A Study within the National Civil Service Agency)

Kharisma Triyogo

Faculty of Social and Politic Sciences

Universitas Indonesia

Depok, Indonesia

igoazkia@gmail.com

Pantius Drahen Soeling

Faculty of Social and Politic Sciences

Universitas Indonesia

Depok, Indonesia

Abstract—This research aims to analyze equity aspects of the pay system of civil servants (PNS) in the State Personnel Agency (BKN) and to formulate a payroll system that meets the equity principles in accordance with the management perspective of the Civil State Apparatus (ASN). The research utilizes the post-positivist approach and descriptive research. The results shows that the content of the equity value in the goals/targets of the civil servant payroll system in the ASN Act is limited to the efforts to comply with the internal and external equity. Meanwhile, the content of the individual equity values becomes incoherent because of the separation between the salary and the administration of the employee performance benefits. The equity value content of the implementation of the civil servant pay system has not been able to be fulfilled until now. This can be viewed from several aspects: a) alignment, the class base and the current working period are considered to be irrelevant because they do not reflect the relative value of a position, b) competitiveness, the salary scale is less competitive than the market rate, c) contributions, the lack of appreciation of the performance and competence of employees, d) management, the lack of transparency, especially related to the data and information on the financial ability of the State for the allocation of salary. This research results in the formulation of civil servant payroll by using a job-based pay approach, using parameters including the number of grades, the value range, salary range, and the pay policy line.

Keywords—payroll; public officials; human resource management; equity

I. INTRODUCTION

The Act no. 5 of the year 2014 on the State Civil Apparatus (UU ASN) which is now “two years old” is considered by various parties as one of the important pillars of the success of the bureaucracy reform which has brought about fundamental changes in the management of ASN. One important aspect in the management system of ASN which has become the current focus of the government is how to translate the mandate of the UU ASN related to the compensation system of the Civil Servants (PNS), especially regarding the payroll system. The

current ASN management provisions explicitly state that the government is obligated to pay fair and reasonable salary to civil servants and ensure their welfare. Furthermore, the provisions also stipulate that the salary of civil servants should be paid according to the workload, the responsibilities, and the risks of the job (see Article 79 of the ASN Act).

It is a challenge for the government considering that the current civil servant payroll system is quite complex with its various problems. Looking at the application of the current civil servant payroll system, it can be observed that the government sets the salary structure and amount based on the tenure (seniority) and class system. The current payroll system puts more emphasis on the considerations of the class or rank of an employee, but not based on the assessment of the performance standard of an employee, so all employees that have the same rank will receive equal salary despite their differences in achievements (Thoha, 2014). In that context, Risher, Fay, and Perry (1997) reveal that the most prominent difference between the public sector payroll programs and the private environment is the emphasis on the concept of merit pay. In general, the concept of merit pay is understood as a benefit plan that has at least two obvious characteristics that reward the individual performance and appreciate any performance difference by providing differences in salary increases (compared to bonuses or other forms).

On the other hand, Prasojo and Rudita (2014) consider that the implemented salary scale is probably the most complex payroll system in the world because it uses the combination of the scale and the ratio between the highest and the lowest basic salary that is too thin. In the last ten years, the government has raised the salary of civil servants at least ten times. However, these efforts do not improve the ratio between the highest and the lowest salary of civil servants significantly. As an illustration, in 2014, the government set civil servant salary increase of 6% in which the basic wage of the highest level of civil servants (class IV/e with 32 years or more of the working period) was raised to Rp. 5,302,100, while the civil servants with the lowest rank (class I/a with 0 year of the working

The Project Supported by (Universitas Indonesia)

Corresponding Author: (Kharisma Triyogo)

period) was raised to Rp. 1,402,400, which means that the ratio between the two is only about 1: 3.78. It seems to support the result reports of a comparative study of civil servants in ASEAN countries (the Comparative Study of the ASEAN Civil Service) conducted by the Planning, Research, and Corporate Division of the Public Service Department (PSD) of Malaysia in 2012, of which Indonesia is the country that has the smallest ratio for the comparison of the basic salary of civil servants between the highest level and the lowest one.

The implemented payroll components of civil servants benefits are very diverse. There is a component called spousal benefits (amounting to 10% of the basic salary), child benefit (amounting to 2% of the basic salary), benefits for food, and benefits structural or functional positions. Even today, the civil servants in "certain areas" are also given other benefits whose given amount is far beyond the basic salary and benefits received by a civil servant. For example, the performance benefits for civil servants in the Directorate General of Taxation is considered quite "fantastic". The lowest structural officers (Echelon IV) receive performance benefits of Rp.28,757,200/month, while the highest structural official echelon i.e. the DGT receives the performance benefits of Rp.117,375,000/month (see the Appendix of the Presidential Decree No. 37 of the year 2015 on the Performance Benefit of the Directorate General of Taxes). It has previously been highlighted by Effendi (2009) who considers the benefit disparity among government agencies, both central and local levels that could have an impact on the decline in the morale of the state apparatus as it is considered to have created the discrimination and jealousy among institutions. Simanungkalit (2012) also reveals that the issue of the civil servant payroll system today is the lack of transparency in the policy implemented by the government. According to him, the word "salary" for civil servants does not reflect the actual earnings of civil servants because in addition to receiving basic salary and benefits, civil servants also still receive a honorarium from the "non-salary" activities including for the involvement of civil servants in various activities (projects), both with internal and external agencies where the civil servants are working in.

Based on some of the provisions in the ASN Act and by examining the problems that occur, it appears that the issue of fairness (equity) remains vital in the context of the civil servant payroll system to date. In addition, the current ASN management perspective also regulates that there are only three (3) income components that can be received by civil servants, namely salary, performance benefits paid in accordance with the performance achievement, and the benefits expensiveness paid in accordance with the level of expensiveness index based on the prices applied in each area (see Articles 51, 79, and 80 of the ASN Act).

Conceptually, to discuss and review a payroll system that applies, Milkovich and Newman (2008) formulates a "Pay Model" as a framework that is clear by dividing them into three main dimensions: (1) the Objectives, namely the goals/objectives of the payroll system; (2) the Policies that form the foundation of the pay system, covering aspects of Internal Alignment, Competitiveness, Contributions and Management; (3) the Techniques that make up the pay system, which conceptually can be interpreted as a unity of the process

flow policies that form the foundation for building a payroll system, which includes Internal Structure, Structure Salary, Incentive Program, and Evaluation (Milkovich and Newman, 2008). On the other hand, to build the construction of the payroll system, O'Riordan (2008) explains that the primary focus is the grade and pay structure model.

In the same context, the equity concept has become an important philosophy as expressed by Mello (2002) that the compensation equity in an organization will create motivation, commitment, and high performance from employees. Milkovich, Newman, and Gerhart (2014) further explain that there are at least two (2) dimensions of equity that must be considered, namely, the internal equity to observe the fairness of the salary of a position compared to a different position at the same level within one company/organization. Second, the external equity is achieved by comparing how fair salary for a position in a company/organization with the salary of a position at almost the same level of a different company/organization. Meanwhile, Kanungo and Mendonca (1992) tend to add the individual/personal equity as another a major focus in the perception of equity which puts more emphasis on the suitability of the salary received by an employee to the achievement of the performance results. Furthermore, according to him, the perception of inequity in these three aspects will lead to employee dissatisfaction, which in turn will reduce their motivation to perform well.

Taking into account the role and authority of the ministry as well as government institutions as stipulated in the ASN Act today, the State Personnel Agency (BKN) as a non-ministry institute of the government has a strategic role and position based on the mandate and authority regulated within the Act to conduct training and implementation of the ASN management nationally (Article 1 of the ASN Act). With its role and authority, the BKN has an obligation to respond to the challenges of the various ASN management problems, one of which is the civil servant payroll system.

Before answering these challenges, it is expected that the question of how the ASN management conditions of BKN in the current environment are. In other words, BKN must first be able to be a role model for ASN management in the context of other institutions, particularly related to the civil servant payroll system. Therefore, this study aims to analyze the application of the principle of equity in the civil servant payroll system within the BKN currently applied and to formulate the civil servant payroll system in BKN that meets the principles of equity in accordance with the current management perspective of ASN.

II. RESEARCH METHODOLOGY

The approaches applied in this research are the post-positivist and descriptive studies. The research was conducted at the Central Office of the BKN by taking the object of the civil servant payroll system implemented in this institution. The primary data were obtained from in-depth interviews with informants, who include the policymakers of the civil servant payroll system, and the officials/stakeholders within the research locus (BKN). The informants/resources are from three different institutions, namely the Ministry of Administrative and Bureaucratic Reform, the Ministry of Finance, and the

BKN. All three institutions are chosen because they have played an important role and have been the leading sectors in the formulation of policies in the field of the civil servant payroll up to now. In addition, the secondary data are taken from the analytical work/document analysis and text obtained through the study of literature, including the interpretation of the content of the ASN Act to see the relation between the content of the legislation and the conditions that occur at this time, and the direction of policy changes of the civil servant payroll system.

The data were analyzed using the analysis model as described by Neuman (2014), and the process started with data collection through in-depth interviews and literature studies, sorting and classification, and then organizing, connecting, and finding the categories of data analytically up to testing the credibility through the process of triangulation, where researchers check the data and information from various sources in various ways, either by the source or the technique.

III. RESEARCH RESULTS

The analysis of the research results will discuss the aspects of equity in the civil servant payroll system of BKN covering the content of the equity value in the goals/targets of the civil servant payroll system (the objectives) and the content of the equity value in the application/implementation of civil servant salary system (policy choices and pay techniques). The discussion of each equity aspect is as follows.

A. *The Equity Value Content in the Objectives of the Civil Servant Pay System*

In the ASN management perspective after the implementation of the Act ASN, it is revealed that the equity content value in the goals/objectives focuses on the civil servant salary system of the equity of the internal and external sides. Article 79 and Article 80 of the ASN Act seem to "separate" unequivocally the pay of civil servant salary based on the workload, the responsibilities, and the risk of their jobs by providing the performance benefits paid in accordance with the achievement of the performance of the civil servants. The salary of the civil servants seems to focus more on the salary-based approach to the aspect of the "job-based pay" or "pay for position" position, while the performance benefit is then used as the "pay for the performance" component.

Such approach becomes unsuitable because, conceptually, Ledford, Heneman, & Salimaki in Berger & Berger (2008) explain that a pay system based on job title (job-based pay) is a system of remuneration based on position/job where an employee performs at one particular point. On the other hand, the formulation is not coherent with the "spirit of the merit system" in the civil servant payroll in the ASN management perspective itself. It is as described by Risher, Fay, and Perry (1997), who reveal that the most prominent difference between the public sector payroll programs and the private sector is an emphasis on the concept of merit pay. In general, merit pay is understood as a benefit plan that has at least two obvious characteristics that reward the performance of the individual (rather than the performance of a group or organization) and appreciate any performance difference by providing

differences in the salary increases (rather than bonuses or other forms) (Risher, Fay, and Perry, 1997).

B. *The Content of the Equity Value in the Application/Implementation of the Civil Servant Pay System (Policy Choices and Pay Techniques)*

The complete explanation to observe the content of the equity value in the policy choices and the pay techniques which can be described in terms of *alignment*, *competitiveness*, *contributions*, and *management* is as follows.

Alignment – Internal Structure

Milkovich, Newman, and Gerhart (2014) explain that the payroll internal structure should be able to observe the fairness of the salary for a position compared to the salary of another position at the same level within one company/organization. To see the difference between the current levels of fellow workers, particularly related to the basic salary structure of civil servants, is based on the years of the working period and space rank of the workers. In fact, space rank and an employee working period do not reflect the relative value of a position. However conceptually, according Ruky (2002) a fair remuneration system internally should be prepared based on the relative value of each position, which is generated through job evaluation. Therefore, space rank and the tenure of civil servants that are used as a base of the remuneration of civil servants are currently rated to be unable to meet the internal equity which is the core of the alignment aspect of the salary structure of civil servants.

BKN basically has already performed job evaluation, but the utilization and the management of the job evaluation results are in fact still limited to the provision of the employee performance benefits and do not serve as the foundation of the determination of the salary structure of civil servants. The job evaluation results also indicate a difference in the grade between the positions despite the similar echelon. Consequently, the current echelon system in the end cannot be used as the foundation in the implementation of the payroll system of civil servants. The failure to fulfill the content of the internal equity value means the failure of the "Alignment" process in the civil servant payroll system.

Competitiveness – Pay Structure

Armstrong (2007) tends to relate the competitiveness aspects in the salary structure or in other terms, external relativities. According to him, the external relativity (related to the amount) can be seen through the market rates. In that context, in the substance of the current ASN Act particularly in regard to the remuneration of civil servants, an adequate explanation of the competitiveness aspects in the salary structure of civil servants has not been found. By looking at the current conditions of the remuneration of civil servants, it appears that the external relativity is still a problem for the current civil servant payroll. The comparison of the average starting salary of civil servants with private sector employees is based on the level of the educational qualifications, and it is visible that civil servants are still under the private sector. Compared to the Jakarta Provincial Minimum Wage (UMP) of 2016 which is set at Rp. 3,100,000, - (see the Appendix of the

Jakarta Governor Regulation No. 230 of 2015), then only the starting salary for civil servants with a bachelor degree that is above the starting salary equivalent to Jakarta's UMP. If it is associated with the private sector, then it can be seen that a significant difference between the average basic salary of private sector employees and the average salary of civil servants, particularly from the Management to Professional level and above. As for the entry level, the average salary of civil servants is considered to be quite competitive. For more details, we can see in Table I below.

TABLE I. THE AVERAGE COMPARISON OF THE MONTHLY SALARY BETWEEN THE PRIVATE SECTOR EMPLOYEE AND CIVIL SERVANTS

Level	Private Sector Monthly Basic Salary ^{a)} (Rp.)			Civil Servants Average Salary ^{a)} (Rp.)
	Min	Median	Max	
<i>Executives</i>	69,600,000	87,000,000	139,200,000	12,316,410
<i>Senior Management</i>	39,682,917	49,603,667	79,365,833	9,070,602
<i>Management</i>	20,829,667	26,037,083	41,659,333	6,739,344
<i>Professional</i>	6,253,333	7,816,667	12,506,667	5,350,668
<i>Entry Level</i>	3,143,417	3,929,250	6,286,833	4,195,946

^{a)} Source: The researcher's analysis result, 2016

^{b)} Notes: *) Indonesia TRS 2014, Mercer in Swa xxx Magazine 27 November - 7 December 2014 "2014 Indonesia Remuneration Survey" - Data All Industries **) The data of the civil servants salary in BKN with the assumption that: 1) For Executives level equal with echelon I, Senior Management equal with echelon II, Management equal with echelon III, Professional equal with Functional Expertise Level, and Entry Level equal with General Functional level with a Bachelor degree. 2) The components include basic wage, family, and food benefit

On the other hand, the financial capacity of the state becomes a major issue for the fulfillment of the competitiveness aspects in the salary structure of civil servants until today. In fact, because of the country's financial ability factor, the value of the external equity in the remuneration of civil servants in the end seems to have been ruled out.

Contributions – Incentive Programs

The current payroll system, especially in terms of regulations, focuses more on the variable of the working space and period as a form of input for the employer's contribution. When the implemented payroll for the civil servants better appreciate the working period or in other words "seniority" as a form of contribution input of employees, then it becomes less relevant to be linked as a form of appreciation of the employee competence by the government. This ultimately has adverse effects on the individual/personal equity. Therefore, in essence, the award given by the government on the performance and competence of the employees is considered insufficient.

Management – Evaluation

There is a lack of transparency, especially in the context of data and information regarding the details of the fiscal capacity of the State for the allocation of salary. In fact, the fiscal capacity is clearly a key factor in the management and evaluation of the civil servant payroll system. In addition, the management of data and information related to the cost management/personnel expenses (cost) for the determination and allocation of salary have become centralized, and it seems to be the "domain" of the Ministry of Finance. Another issue

that has emerged from the management is that the provision of various forms of "honorarium" of activities that are in the Non-Salary Budget Post. The provision of various honorariums raises the issue of the complexity of calculating the budget requirements for certain employment expenses, and its position is considered low in terms of the administrative accountability as it is difficult to be justified to the public. Hence, the calculation of the allocation of salary of civil servants in the form of a simulation or exercise is merely in the form of estimation or approximation.

C. The Formulation of the Civil Servant Payroll System in BKN based on the ASN Management Perspective

This research uses the conceptual approach proposed by Poels (1997) and Armstrong (2007) to formulate the civil servant payroll system in BKN, and it focuses on the structural model level/grade positions and the salary structure (grade and pay structures) for the civil servants in BKN. Conceptually, the structuring level/grade positions (grading structure) in an organization/company can be performed through a process of job evaluation. Armstrong (2003) defines job evaluation as a systematic process for determining the relative value or size of jobs in an organization in order to establish the internal relativity and provide the basis for constructing a class structure position (job grade) and fair remuneration, to assess the job rank in the structure, as well as to manage relativity. Since 2011, the government has set the guidelines for government agencies to undertake job evaluation in the form of the Regulation of the Minister of Administrative and Bureaucratic Reform no. 34 of the year 2011 on the Guidelines for Job Evaluation. These guidelines are essentially the adaptation of the Factor Evaluation System (FES) method, which is an assessment technique to conduct this job evaluation using six criteria factors for managerial positions and nine criteria factors for non-managerial positions. Of each factor job evaluation, each has its own value ranges and levels.

In the current ASN management perspective, Article 13 of the ASN Act has governed that the ASN positions are classified into 3 (three) position groups consisting of Administrative, Functional, and Top Leadership Positions. Therefore, an analysis was conducted based on the re-mapping results of the model of the structure/level of positions within the BKN based on the positions grouping within the provisions of Article 13 of the ASN Act (Administrative, Functional, and Top Leadership Positions). The results are summarized in Table II, as follows.

TABLE II. THE SUMMARY OF THE POSITION STRUCTURE/LEVEL MODEL IN BKN

Job Grade	Job Value	Top Leadership Level	Functional Position			ADMINISTRATOR
			Expert Level	Skilled Level	Specialty	
1	2	4	5	6	7	8
17	4,055 - 4,730					
16	3,605 - 4,050	Main				
15	3,155 - 3,600	Secretary/Deputy Director/Head of Bureau/ Head of Centers/Inspector			Specialist/ Expert Doctor	
14	2,755 - 3,150	Secretary Assistant BAPEK			Main HR Assessor	
13	2,355 - 2,750		Main			
12	2,105 - 2,350				Intermediate HR Assessor/ Doctor	Head of Work Unit/Head of Sub-
11	1,855 - 2,100	Head of Work Unit/ Head of Sub-directory	Intermediate		Young HR Assessor/Young Doctor	directory/Head of Division
10	1,605 - 1,850					
9	1,355 - 1,600	Head of Sections/ Head of Sub-Sections	Young		Recruit Doctor	Head of Section/Head of Sub-Division
8	1,105 - 1,350		First	Supervisor	First HR Assessor	Treasurer
7	855 - 1,100			Expert/Advanced Work Staff		Analyst/ Formulator/ Evaluator
6	655 - 850			Skilled/Work Staff		Secretary/ Processor/ Organizer
5	455 - 650			Recruit Work Staff		Operator/ Technician
4	375 - 450					Office Maintenance
3	305 - 370					Caraka/ Chauffeur
2	245 - 300					
1	190 - 240					

Source: The researcher's analysis results based on the Document Summary of the Position Evaluation Validation Result of BKN with the Team of the Ministry Administrative and Bureaucratic Reform, 2015

According to Milkovich and Newman (2008) there are at least 3 (three) approaches that can be used in building the model of salary structure, namely: *Job-Based*, *Skill-Based*, and *Competency-Based*. Referring to the opinion of Poels (1997) which argues that salary structure should be in accordance with the prevailing laws and regulations, so with the presence of the ASN Act, the civil servant salary structure should be modified to what is stipulated in the Act. As has been explained previously, the ASN Act has explicitly governed that the government is required to pay the salary of civil servants in accordance with the workload, responsibilities, and risks of the job (see Article 79 of the ASN Act). That formulation is then adjusted further in the explanation of that Article that "... the modification process in the payroll system which was originally based on the class rank and working period is heading towards the systems based on the value of the rank" Thus, conceptually this ASN Act maintains a job-based pay that will be used as a model in the salary structure formulation of civil servants or "pay for position."

The formulation of the salary structure model in this research utilizes several parameters as formulated by Poels (1997), which include: (1) number of grades; (2) the range of values of each grade, usually indicated by the value of the

results of the job evaluation; (3) the range of the salary of each grade, including the differences in the amount of salary from the highest to the lowest; and (4) the remuneration policy line of the "Pay Policy Line" or commonly called the "Salary Line." By using these various parameters are then implemented by the researchers in the form of exercises based on the database consisting of: (1) the table in the job evaluation results of BKN employees (based on the Letter of Approval from the Minister of Administrative and Bureaucratic Reform No. B / 830 / M.PAN RB / 3/2015 dated March 13, 2015); (2) the concrete data of the civil servant salary of BKN (data obtained through BKN Finance Bureau on January 19, 2016); (3) the Database of the Average Salary of the Private Employees published by Indonesia TRS (2014) Mercer (in Self Magazine xxx 27 November to 7 December 2014 "Remuneration Survey Indonesia 2014" - Data All Industries). From various parameters based on the database, the following results are obtained:

1. The Number of *Grade* and *Range Points*

There are 17 grades which will be used in the formulation, considering that: a) the guidelines of the civil servant job evaluation are still considered relevant and in accordance with the current ASN management perspective; b) the lack of research and scientific research that answers the question of the number of ideal/optimum grades, especially for governmental organizations because, basically, there are no obvious factors (to make the grade) which are universal (Risher, 1989); c) most job evaluation factors are factors defined in the Guidelines for Job Evaluation applicable to civil servants today which already cover a wide range of factors that can be used as a reference to establish equity internally as stated by Romanoff, Boehm, and Benson (1986) or Armstrong (2007).

2. *Pay Range*

Poels (1997) defines pay range as the difference between the highest salary (maximum) and the lowest (minimum) between a group of salary and "salary bands." The midpoint of the range is called the Mid-point, which is then used as a "target rate" when it is considered as the level of consolidation in which each employee/individual is fully competent and experienced in carrying out his/her work and role. The factors that become one of the considerations in formulating the range (span) of the salary range in this grade are the view on the opportunity of the performance, contribution, or career advancement (Armstrong, 2007).

3. *Pay Policy Line*

As explained earlier that basically it is rather difficult to make a comparison externally for the market survey of the salary of civil servants, especially for equal comparison. However, in spite of this problem, this research will employ the data on the average salary in the private sector as the basis for the market line. This is to address the issue of external equity with the private sector that is still unanswered. The market line database that will be used in this research is the Salary Averages of Private Employees Database published by Indonesia TRS (2014) Mercer and the 2016 Provincial Minimum Wage (UMP) of DKI Jakarta which is Rp. 3,100,000, - as the basis for the size of the lowest salary,

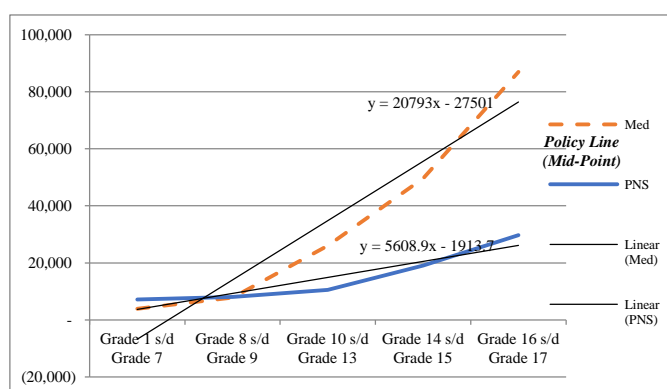
especially because the location of the BKN office is in Jakarta. Based on that description, the following data and the benchmark for the modeling market line are presented, as can be seen in the following Table.

TABLE III. DATA AND BENCHMARK OF THE FORMULATION OF THE MARKET LINE MODEL

Level	Civil Servant Grade	Monthly Employee Average Basic Wage (Rp .000)		
		Min	Mid	Max
Entry Level	Grade 1 to Grade 7	3,143	3,929	6,287
Professional	Grade 8 to Grade 9	6,253	7,817	12,507
Management	Grade 10 to Grade 13	20,830	26,037	41,659
Senior Management	Grade 14 to Grade 15	39,683	49,604	79,366
Executives	Grade 16 to Grade 17	69,600	87,000	139,200

Source: The researcher's analysis result on TRS (2014) Mercer Indonesian result which is categorized in Grades

From these data, the market line models that will be the Pay Policy Line of civil servants are compiled as can be seen in the following graph.



Source: The researcher's analysis result, 2016

Fig. 1. Market Line Model as the Civil Servant Payroll Policy Line

The Calculation of the Position Value Index and the Calculation of the Amount of Salary of Rank-based Civil Servants within BKN

Based on the use of various parameters that have been described previously as well as the assumptions made in it, the position value index is determined as the basis of calculations to determine the amount of salary of civil servants. Based on the interviews, especially by "key informants" of this research, the determination of the position value index as the basis of calculations to determine the amount of salary of civil servants should be distinguished between the positions of the Chief Administrator and the Top Leadership Position (JPT). Based on this, the following describes the process associated to the calculations determining the value index for the post of the Head of the High Position (JPT) and the office of the Administrator in the form of the following table.

TABEL IV. THE CALCULATION OF THE POSTITION VALUE INDEX FOR TOP LEADERSHIP AND ADMINISTRATOR POSITIONS

1. The Determination of the Position Value Index of the Top Leadership

Position

MAX	Highest Executive Salary/Highest Position Value (Rp. 139,200,000/4,730 = Rp. 29,429)
MIN	DKI Jakarta Provincial Minimum Wage/the Lowest Position Value Grade 3 (Rp 3,100,000/305 = Rp. 10,164)

Notes:

- BKN currently does not have an employee with Grade 1; the lowest level employees are currently at Grade 3, so the lowest position value (Grade 1) is not used as a dividing factor.
- Based on the information provided by the research key informants, the government is not going to recruit civil servant candidates for Grade 1 which includes *pramubakti* (servers) and cleaning workers.

2. The determination of the Administrator Position Value Index

MAX	Management Highest Salary/Highest Value (Rp. 41,659,333/2,350 = Rp.17,727)
MIN	DKI Jakarta Provincial Minimum Wage /the Lowest Value Grade 3 (Rp 3,100,000/305 = Rp. 10,164)

3. The determination of the medium value of the Position Value Index

4. Median Point (Mid)	$\frac{\text{Max Position Value Index} + \text{Min Position Value Index}}{2}$
------------------------------	---

Source: The researcher's analysis result, 2016

From the aforementioned Table, the Midpoint (Mid) Position Price Index for JPT, which is Rp 19,797, and for Administrators, which is Rp 13,946, is obtained. From the calculation of the value index of the job, it can then be determined the amount of salary of civil servants by the formula of:

The Amount of Salary of Civil Servants = Position Point X Position Value Index

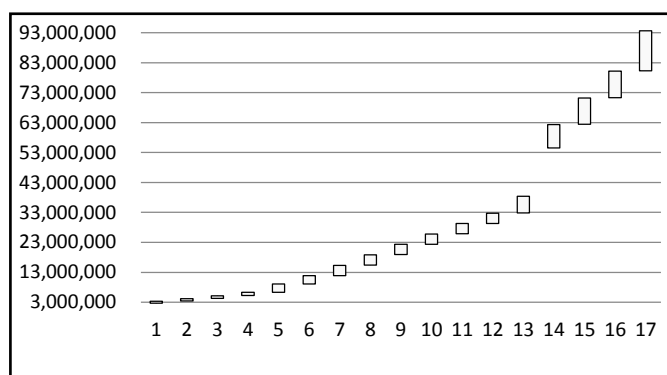
From that formulation, the salary scale of civil servants from Grade 1 up to Grade 17 can then be obtained in accordance with the multiplication of each range of the position value index, namely the minimum (Min), Intermediate (Mid), and Maximum (Max). Hence, three (3) Table Options of the Salary of civil servants by Position Price Index can be obtained, including: Option I Minimal, which is based on multiplying the Position value by the Position Minimum Price Index (Min); Option II Intermediate, which is based on multiplying the position value by the mean of the Position Value Index (Mid); and Option III Maximum, which is based on multiplying the Position value by the Maximum Position Value Index (Max). The following figure presents the three Table Options for the Salary of civil servants based on the Position Value Index.

Option I (Maximal)				Option II (Medium)				Option III (Minimal)			
Grade	Based on the Position Value Index (Max)			Grade	Based on the Position Value Index (Mid)			Grade	Based on the Position Value Index (Min)		
	Min	Mid	Max		Min	Mid	Max		Min	Mid	Max
17	119,335,307	129,267,653	139,200,000	17	80,275,030	86,956,368	93,637,705	17	41,214,754	44,645,082	48,075,410
16	106,092,178	112,640,169	119,188,161	16	71,366,581	75,771,314	80,176,048	16	36,640,984	38,902,459	41,163,934
15	92,849,049	99,397,040	105,945,032	15	62,458,131	66,862,864	71,267,598	15	32,067,213	34,328,689	36,590,164
14	81,077,378	86,889,641	92,701,903	14	54,539,509	58,449,328	62,359,148	14	28,001,639	30,009,016	32,016,393
13	41,747,970	45,249,127	48,750,284	13	32,842,018	35,596,285	38,350,552	13	23,936,066	25,943,443	27,950,820
12	37,316,126	39,487,730	41,659,333	12	29,355,604	31,063,947	32,772,290	12	21,395,082	22,640,164	23,885,246
11	32,884,282	35,055,886	37,227,489	11	25,869,190	27,577,533	29,285,876	11	18,854,098	20,099,180	21,344,262
10	28,452,438	30,624,042	32,795,645	10	22,382,777	24,091,119	25,799,462	10	16,313,115	17,558,197	18,803,279
9	24,020,594	26,192,198	28,363,801	9	18,896,363	20,604,705	22,313,048	9	13,772,131	15,017,213	16,262,295
8	19,588,750	21,760,354	23,931,957	8	15,409,949	17,118,292	18,826,634	8	11,231,148	12,476,230	13,721,311
7	15,156,906	17,328,510	19,500,113	7	11,923,535	13,631,878	15,340,221	7	8,690,164	9,935,246	11,180,328
6	11,611,431	13,339,850	15,068,270	6	9,134,404	10,494,106	11,853,807	6	6,657,377	7,648,361	8,639,344
5	8,065,956	9,794,375	11,522,794	5	6,345,273	7,704,974	9,064,676	5	4,624,590	5,615,574	6,606,557
4	6,647,766	7,312,543	7,977,319	4	5,229,621	5,752,583	6,275,545	4	3,811,475	4,192,623	4,573,770
3	5,406,850	5,982,989	6,559,129	3	4,253,425	4,706,659	5,159,892	3	3,100,000	3,430,328	3,760,656
2	4,343,207	4,830,710	5,318,213	2	3,416,686	3,800,191	4,183,697	2	2,490,164	2,769,672	3,049,180
1	3,368,201	3,811,386	4,254,570	1	2,649,674	2,998,316	3,346,957	1	1,931,148	2,185,246	2,439,344

TABEL V. THE CIVIL SERVANT SALARY OPTION TABLE BASED ON THE POSITION VALUE INDEX

Source: The researcher's analysis result, 2016

Of the three options of the civil servants salary table, the recommended civil servants salary table to be implemented within BKN is Option II (Intermediate). The civil servants salary table Option II (Medium) better reflects the average salary of employees of the private sector, which is expected to narrow the gap between the salary of civil servants and private sector, especially at the management above (up to the level of the Executive) in an attempt to answer the question of external equity as presented in the Figure below (the amount is rounded in thousands of the full salary).



Source: The researcher analysis result, 2016

Fig. 2. The Civil Servant Job-Based Pay Graph within BKN

IV. CONCLUSION

Based on the analysis, it can be concluded that: (1) the content of the equity value in the target/objective formulation of the salary system of civil servants as stipulated in the ASN Act is still limited to the effort for the internal and external equity, while the content of the equity values of the individuals becomes less coherent as the formulation of the Act clearly separates the provision of the civil servants salary based on the workload, responsibilities, and job risks, by providing appropriate benefits paid performance target achievement. On the other hand, the content of the equity values of the application/implementation of the payroll system of civil servants in general has also been unable to be fulfilled until now, and it can be seen from several aspects: a) *alignment*, the current salary structure of civil servants based groups and the working period is considered to be irrelevant because it does not reflect the relative value of a position; b) *competitiveness*, the amount of salary of civil servants is considered less competitive than the market rate; c) *contributions*, there is still lack of appreciation of the performance and competence of its employees, as well as the focus on the aspect of the working period as an employee input; d) *management*, the lack of transparency, especially related to the data and information on the financial capacity of the State to the allocation of salary.; and (2) the formulation in the Payroll System for Civil Servants within BKN employs the job-based pay approach. It is intended in order to meet the equity aspect in the target/objective formula of the civil servants payroll system as set forth in the ASN Act in particular in terms of internal and external

equity. The parameters used in the formulation include the number of grades, the value range, salary range, and pay policy lines. The formulation produces three options of the Civil Servant Position- Based Salary Tables including the Option I (Minimal), Options II (Medium), and Option III (Maximum).

Suggestions

Based on the results of the research, the following are some suggestions on the matter, namely: (1) the Regulation Draft as a follow-up of the ASN Act needs to formulate more clearly the salary equity indicators of civil servants, so future monitoring and evaluation of the salary system of civil servants will be easy to be conducted; (2) the government should provide the basis for clear and transparent calculation in setting the amount of the civil servant salary up to the careful determination of the performance indicators associated with the provision of the salary of civil servants; (3) in the case of the determination of the amount of salary for civil servants, the government needs to make the average amount of the salary of the private sector as the basis for consideration in order to avoid the income gap; (4) there is a need for synchronization of the Regulation Draft as a follow-up to the ASN Act linking the performance management with the determination of the salary of civil servants; (5) the consequences of the changes in the payroll system should be followed by the conformity to other civil servant management aspects, such as placement in the office, career patterns, including changes in the public pension system; (6) there needs to be a transformation of the civil servant payroll system that has been running for almost 40 years, and this is directly linked to the country's financial impact, the necessary agreement and commitment from the policy makers, especially the President of the Republic of Indonesia as the supreme head of the government; (7) a special forum to discuss the issue of civil servant payroll with other countries, especially fellow ASEAN Countries, is needed as media sharing in relation with the fulfillment of the external equity; and (8) a synchronization of regulations which govern the financial management area is needed.

ACKNOWLEDGMENT

This article is part of the publication of the final project, and its publication is financed with the help of the PITTA Grant from Universitas Indonesia.

REFERENCES

- [1] Armstrong, M., Cummins, A., Hastings, S. Wood, W., "Job Evaluation : A Guide To Achieving Equal Pay". London, Kogan Page, 2003.
- [2] Armstrong, M., Murlis, H., "Reward Management – A Handbook of Remuneration Strategy and Practice" - 5th edition, London, Kogan Page, 2005
- [3] Armstrong, M., "A Handbook Of Employee Reward Management And Practice"– 2nd ed., London, Kogan Page, 2007.
- [4] Kanungo, R., Mendonca, M., "Compensation: Effective Reward Management", Toronto, Butterworths, 1992.
- [5] Mello, Jeffrey A., "Strategic Human Resource Management", California, South Western College, 2002.
- [6] Neuman, W.L. "Social Research Methods: Qualitative and Quantitative Approaches"-Seventh Edition, Singapore, Pearson Education Limited, 2014.

- [7] O'Riordan, J., "A Review of the Civil Service Grading and Pay System", Dublin, Institute of Public Administration, 2008.
- [8] Poels, F., "Job Evaluation And Remuneration Strategies: How To Set Up And Run An Effective System", London: Kogan Page Limited, 1997.
- [9] Risher, Howard., Fay, Charles H., dan Associates, "New Strategies for Public Pay: Rethinking Government Compensation Program", San Fransisco, Jossey-Bass Publishers, 1997.
- [10] Ruky, A. S., "Manajemen Penggajian dan Pengupahan untuk Karyawan Perusahaan", Jakarta, PT. Gramedia Pustaka Utama, 2002.
- [11] Thoha, M., "Manajemen Kepegawaian Sipil Di Indonesia" – Second Edition, Jakarta, Kencana, 2014.
- [12] Effendi, S., "Reformasi Birokrasi Generasi Kedua", Kompas, Thursday, 10 September 2009.
- [13] Planning, Research and Corporate Division of the Public Service Department (PSD) Malaysia, "Comparative Study of the ASEAN Civil Service", 2012.
- [14] Prasajo, Eko & Rudita, Laode., "Undang-Undang Aparatur Sipil Negara: Membangun Profesionalisme Aparatur Sipil Negara", *Jurnal Kebijakan dan Manajemen PNS*, Jurnal Kebijakan dan Manajemen PNS, ISSN: 1978-7103, Vol. 8, No.1, June 2014.
- [15] Risher, Howard W., "Compensation and Benefits Review", Jan/Feb 1989; 21, 1; ABI/INFORM Complete p. 22.
- [16] Romanoff, Kent, Boehm, Ken & Benson, Edward., "Pay Equity: Internal and External Considerations", *Compensation and Benefits Review*, Vol. 18 (16): 17, 1986.
- [17] Simanungkalit, J.H.U.P., Disertasi "Sistem Kompensasi Pegawai Negeri Sipil Di Indonesia", Fisip UI, 2012
- [18] The Republic of Indonesia, the Act No. 5 of the year 2014 on Civil Apparatus, the State Gazette of the Republic of Indonesia of the year 2014 Number 6, the Supplementary State Gazette of the Republic of Indonesia Number 5494.
- [19] The Republic of Indonesia, the Government Regulation No. 7 of the year 1977 on the Regulation of Civil Servants Salary, the State Gazette of the Republic of Indonesia of the year 1977 No. 11, the Supplementary State Gazette of the Republic of Indonesia Number 3098, along with the latest Regulatory Amendment by the Government Regulation No. 30 of the year 2015 on the Seventeenth Government Regulation Amendment Number 7 of the year 1977 on the Regulation of Civil Servants Salary.
- [20] The Republic of Indonesia, the Presidential Decree No. 37 of the year 2015 on the Performance Benefit within the Directorate of Taxes.