CIVIL SERVICE REFORM IN INDONESIA

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Introduction

New Public Administration

Government

Civil Society

Business Sector
Development in civil service administration:

**PUBLIC ADMINISTRATION**
All process, organization and individual associated with carrying out laws and other rules

**PUBLIC MANAGEMENT**
Global reform movement that redefines the relationship between Government and society

**GOOD GOVERNANCE**
Creating an effective political framework conducive to private action
## Introduction

Table 1  
Three Models of Public Administration

<table>
<thead>
<tr>
<th></th>
<th>Public Administration</th>
<th>Public Management</th>
<th>Responsive Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Citizen-State Relationship</strong></td>
<td>Obedience</td>
<td>Entitlement</td>
<td>Empowerment</td>
</tr>
<tr>
<td><strong>Accountability of Senior Officials</strong></td>
<td>Politicians</td>
<td>Customers</td>
<td>Citizens and Stakeholders</td>
</tr>
<tr>
<td><strong>Guiding Principles</strong></td>
<td>Compliance with rule and regulations</td>
<td>Efficiency and result</td>
<td>Accountability, transparency and participation</td>
</tr>
<tr>
<td><strong>Criteria for Success</strong></td>
<td>Output</td>
<td>Outcome</td>
<td>Process</td>
</tr>
<tr>
<td><strong>Key Attribute</strong></td>
<td>Impartiality</td>
<td>Professionalism</td>
<td>Responsiveness</td>
</tr>
</tbody>
</table>

Source: UN, Dept. of Economic and Social Affairs, World Public Sector Report 2005, New York: 2005
Indonesian Civil Service

External
Globalization

Internal
Democratization
Decentralization
Transparency
Openness etc

Straighten up Bureaucracy Structure

Improving Human Resources Condition

Structuring the modern and Efficient bureaucracy
Number of Civil Servant

- 3.74 million civil servants among about 220 million people of Indonesia in 2005.
- In 2005, one public employee has to serve 58 to 59 persons. This number has been similar since 2003.
- In 2002, one public employee has to serve 55 to 56 persons.
- In 1974, one public employee has to serve 47 to 48 persons.
## Number of Civil Servants

### Table 2
Total Civil Servant in Indonesia, 1974-2005

<table>
<thead>
<tr>
<th>No</th>
<th>Job Placement</th>
<th>1974</th>
<th>2002</th>
<th>2003*</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>Central Government</td>
<td>1,312,254</td>
<td>78.3</td>
<td>915,660</td>
<td>24.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>896,211</td>
<td>24.0</td>
<td>896,211</td>
<td>24.0</td>
</tr>
<tr>
<td>2</td>
<td>Provincial Government</td>
<td>362,617</td>
<td>21.7</td>
<td>2,907,426</td>
<td>76.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>303,724</td>
<td>8.1</td>
<td>303,724</td>
<td>8.1</td>
</tr>
<tr>
<td>3</td>
<td>Regency/ Municipality</td>
<td>1,674,871</td>
<td>100</td>
<td>3,823,086</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,541,560</td>
<td>67.9</td>
<td>2,541,560</td>
<td>67.9</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>1,674,871</td>
<td>100</td>
<td>3,823,086</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,741,495</td>
<td>100</td>
<td>3,741,495</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: National Civil Service Agency (BKN); various publications, Jakarta.
Number of Civil Servant

Composition of Central and Local Government Employee

1974
- Provincial and Municipality Government Employee: 21.7%
- Central Government Employee: 78.3%

2003
- Provincial and Municipality Government Employee: 24.0%
- Central Government Employee: 76.0%
Number of Civil Servant

Higher share of local government employee in total civil servant is in line with the objectives:

- Giving a better quality services to the public
- Moving closer to the society
  
In Cambodia: “Serving People Better”

*Even though the number of civil servant is only 1.7 -1.8 percent of total population, its quality is rather low, partly affected by the salary system in Indonesia which is considered unattractive.*
Salary System

High Level of Rewards

Create a secure and comfortable Working condition
Reduce tendency to make a Deviation or wrongdoing

Higher productivity and quality Of works
Salary System

The salary system in Indonesia: COMBINATION SCALE SYSTEM

- The Single Scale System
  The same salary is given to employees at the same level or rank regardless their job or level of responsibility

- The Double Scale System
  The salary is given to employee based on their job or level of responsibility
Salary System

Some facts:

- The basic salary for the lowest rank, Ia (primary and junior high school graduate) is around US $ 66 per month.

- The basic salary for the highest rank, IVe with 32 years in service is around US $ 207 per month or equivalent to 6% of the salary of CEO at ordinary SOE.
Ratio of Basic Salary of the Highest Earner to the Lowest Earner
Salary System

Theoretically:

- Egalitarian pay structure more attractive for the lower rank of civil services
- Higher “pay-ratio” structure more conducive for higher rank officials

In Indonesia:

Salary structure is moved into the different direction
Basis for Change

Hunter and Shah (1998) have developed a good governance quality index based on four sub indexes, namely:

- A citizen participation index (an aggregated measure using indexes of political freedom and political stability).
- A government orientation index (an aggregated measure using indexes of judicial efficiency, bureaucratic efficiency and lack of corruption).
- A social development index (an aggregate measure using indexes of human development and egalitarian income distribution).
- An economic management index (an aggregated measure using indexes of outward orientation, central bank independence, and inverted ratio of debt to gross domestic product).
### Basis for Change

**Table 4**

**Quality of Governance of Selected Countries**

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>Quality Index</th>
<th>Governance Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>65</td>
<td>Good</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>63</td>
<td>Good</td>
</tr>
<tr>
<td>3</td>
<td>Malaysia</td>
<td>58</td>
<td>Good</td>
</tr>
<tr>
<td>4</td>
<td>Rep. of Korea</td>
<td>57</td>
<td>Good</td>
</tr>
<tr>
<td>5</td>
<td>Sri Lanka</td>
<td>45</td>
<td>Fair</td>
</tr>
<tr>
<td>6</td>
<td>Philippines</td>
<td>44</td>
<td>Fair</td>
</tr>
<tr>
<td>7</td>
<td>India</td>
<td>43</td>
<td>Fair</td>
</tr>
<tr>
<td>8</td>
<td>Thailand</td>
<td>43</td>
<td>Poor</td>
</tr>
<tr>
<td>9</td>
<td>China</td>
<td>39</td>
<td>Poor</td>
</tr>
<tr>
<td>10</td>
<td>Indonesia</td>
<td>38</td>
<td>Poor</td>
</tr>
<tr>
<td>11</td>
<td>Nepal</td>
<td>36</td>
<td>Poor</td>
</tr>
<tr>
<td>12</td>
<td>Pakistan</td>
<td>34</td>
<td>Poor</td>
</tr>
</tbody>
</table>

Source: Adapted from Table 2.1 of Jeff Hunter and Anwar Shah, 1998.
Basis for Change

World Bank Indicator of governance:
1. Voice and accountability
2. Political stability
3. Government effectiveness
4. Regulatory quality
5. Rule of law
6. Control of corruption
Basis for Change

Government effectiveness index: comparing the quality of public bureaucracy, policy-making and service delivery.

Government effectiveness contributed to higher national income (Kauffman, 1999)
Some impacts of poor governance (World Bank):

- Undermine development efforts
- Hinder progress toward poverty eradication
- Infringe on human right

SINCE INDONESIA FALL IN THE CATEGORY OF POOR GOVERNANCE QUALITY, A REFORM IN PUBLIC SERVICE IS BADLY AND SERIOUSLY NEEDED
Institutional Approach

Civil service reform: developing the capacity of the civil service to fulfill its mandate, defined to include issues of recruitment and promotion, pay, number of employee, performance appraisal and related matters, still constitutes the main part of national programs for public administration reform.

Civil service reform has historically focused on the need to contain the costs of public sector employment through retrenchment and restructuring, but has broaden towards focusing on the longer term goal of creating a government workforce of the right size, with the appropriate mix of skills, and the right motivation, professional ethos, client focus and accountability.

(UNDP, 2003)
Institutional Approach

Civil Service Reform Strategy for Indonesia (World Bank)

- Incentive System
- Size of the Civil Service
- Recruitment
- Performance Management
- Remuneration
- Probity
Institutional Approach

Important factors in service civil reform in Indonesia

- Institutional Building
- Moral Conduct
Institutional Approach

In order to have an effective and efficient public service, most of the governments have developed special institutions in charge of human resources management. In some countries this body is called Civil Service Commission (CSC) or Public Service Commission (PSC).

In Korea, the CSC established on May 24, 1999, has been leading South Korea’s major civil service reform initiatives. On June 12, 2004, personnel management function, previously remaining in the Ministry of Government Administration and Home Affairs was transferred to the CSC, creating the single central personnel authority for the Korean government (Kong, 2006).

In New Zealand, The State Service Commissioner of New Zealand in 1999 asked that he be given responsibility to develop a solution to the absence of corporate capacity in the public service. Since then, the New Zealand public service has moved to address wide range of service – wide human resources management issues from an increasingly corporate perspective (U.N, 2005).
Institutional Approach

Table 5
Responsibility for human resources management in Central government agencies

<table>
<thead>
<tr>
<th>No</th>
<th>Agency</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Office of the Prime Minister</td>
<td>Overall government policy</td>
</tr>
<tr>
<td>2</td>
<td>Ministry of Finance</td>
<td>Pay and pensions</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Public Service</td>
<td>Deployment and condition of service for public servants</td>
</tr>
<tr>
<td>4</td>
<td>Public Service Commission</td>
<td>Appointment, promotion, transfer and discipline</td>
</tr>
<tr>
<td>5</td>
<td>National Administrative Staff College</td>
<td>Training and Development</td>
</tr>
</tbody>
</table>

Institutional Approach

In Indonesia:

- PSC or CSC is not yet exist, even though Law No. 43/1999 stated that CSC should be established.

- Human resources Management is still in the hand of the institution within the government bureaucracy, not in the hand of independent body such as CSC or PSC.
## Institutional Approach

### Table 6

Institutions responsibility for human resources Management in Indonesia

<table>
<thead>
<tr>
<th>No</th>
<th>Agency</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Office of the President (State Secretariat and Cabinet Secretariat)</td>
<td>Overall government policies</td>
</tr>
<tr>
<td>2</td>
<td>Ministry of Finance[^1]</td>
<td>Pay and pensions</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Administrative Reforms[^2]</td>
<td>Supervision, coordination, monitoring and evaluation of all civil service’s matters</td>
</tr>
<tr>
<td>4</td>
<td>National Agency for Civil Service</td>
<td>Appointment, promotion[^3] and transfer</td>
</tr>
<tr>
<td>5</td>
<td>National Institute of Public Administration</td>
<td>Education, training and organizational design</td>
</tr>
</tbody>
</table>
Institutional Approach

Some notes:

1. The Ministry of Finance is responsible for pay and pensions system of the civil service. However the State-Owned Enterprise (SOE) responsible for pay and pensions in under supervision and direction of State Ministry for State-Owned Company (Menteri Negara BUMN).

2. The Ministry of Administrative Reform has a powerful authority since National Agency for Civil Service (BKN) and National Institute of Public Administration (LAN) is under his functional supervision and coordination in their daily activities.

3. Promotion for highest echelon (Echelon I) is done by “the evaluation team (TPA)” directly choosed by the President.
Moral Issue

- Government employees in Indonesia are sometimes considered as Community Leaders (Panutan)
- As a community leader, they should have “morality” (good personality, avoid the irregularity, always obey the rules in conducting their activities)
Moral Issue

- Carl J. Friederich (1940) noted that the growing importance of the internal values, moral and professional, and standard of bureaucrats. Without a good moral and professionalism, an abuse of power can easily happen in the government sector.

- The recent study done by Meier and O’Toole (2006) shows that bureaucratic values are far more important in explaining bureaucratic output and outcomes than political factors. This does not demonstrate and should not be taken to mean that external political control is unimportant, but it does show that the serious attention to the values of bureaucrats is the most important.
Respectable Community Leaders

Improve services to the public through a Professional, competency and honest action

Give a high priority to honesty, responsibility Integrity and bravery in daily activities

A proper and well-panned human resources development
Human Resource Development for Government Official

1. Recruitment Process
   - Job analysis and requirement analysis before the recruitment
   - The recruitment process should be open and fair

2. Education and Training
   - Covers physical and mental training and should be given regularly
   - Provide scholarship to get higher education, in the country and overseas

Increase quality of government employees
Conclusion

- Since 1980’s many countries have devoted major efforts to promote administrative reform. The need for a good governance appears in all countries.

- In Indonesia after the fall of the New Order government, political movement emerged and appealed for reform in all aspect, including public administration.

- However, to have a high quality of public service, as the society’s hope, is still a far reaching goal realizing the direction of reform which is processed up to the present time.

- As in any reforms, the need for a strong and very determined leadership is the crucial factor; it leaves a big question for Indonesia.

- While a good governance become the main pillar for overcome competition in the global world, a reform in civil service in Indonesia in order to have a clean and efficient bureaucracy, is a must.

- Nobody can predict when will be “the honest, productive, creative, responsible and professional civil servants” appeared.
Thank you