

Civil Service Reform in Indonesia: Redefining the Ethics*

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The civil service in Indonesia considers slow, non-transparent, and non-accountable, lacks initiative, and has a tendency for corrupt practices. Civil service reform to achieve good governance is badly needed at present in Indonesia. Law No. 22/1999 and Law No. 43/1999, while steps are in the right direction, still need strong and determined leadership to steer reform to its logical conclusion.

Keywords: civil service, reform and change, Indonesia

Introduction

Two main forces have shaped reform in civil service administration: (a) new public management; and (b) good governance. Public administration, in classical Weberian context, encompasses organization, processes, and individuals tasked with accomplishing legislated objectives, in accordance with laws and rules. New public management (NPM), on the other hand, is global reform movement that redefines the relationship between government and society. Good governance has emerged as the new paradigm in public administration, replacing the old one developed by Weber. Such a paradigm involves the cooperation of three actors: (a) government; (b) civil society; and (c) business.

NPM calls upon governments to focus on achieving results rather than primarily conform to procedures; and adopt market-like competition, innovations, and entrepreneurial strategies (Osborne & Gaebler, 1993). Good governance entails sound public sector management (efficiency, effectiveness, and economy) accountability, free flow, and exchange of information (transparency), and a legal framework for development (justice, respect for human rights, and liberties) (The World Bank, 1993b). It “means creating an effective political framework conducive to private economic action: stable regimes, the rule of law, and efficient state administration adapted to the roles that government can actually perform, and a strong civil society independent of the state” (Hirst, 2000, pp. 13-35).

Table 1 highlights some of the unique characteristics of each one of the three main approaches.

Regardless of the approach, the role of civil servants (or human resources in the bureaucracy) is very important and indispensable. The bureaucracy is a key factor in government processes. It enables accomplishment of goals, targets, or missions that are to be achieved by the nation for the prosperity and well-being of its people. Therefore, the role of the bureaucracy, or civil servants, in the development of good governance is a crucial factor, especially in the era of globalization.

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Table 1
Three Models of Public Administration

Variables	Public administration	Public management	Responsive governance
Citizen-state relationship	Obedience	Obedience	Empowerment
Accountability of senior officials	Politicians	Customers	Citizen and stakeholders
Guiding principles	Compliance with rules and regulations	Efficiency and result	Accountability, transparency, and participation
Criteria for success	Output	Outcome	Process
Key attribute	Impartiality	Professionalism	Responsiveness

Source: World Public Sector Report (United Nations Department of Economic and Social Affairs, 2005).

The Indonesian Civil Service

Recent social and political changes have had profound impacts on Indonesia society. These, among others, include: democratization, decentralization or regional autonomy, transparency, and openness of information against the backdrop of globalization. In order to adapt to the situation, the Indonesian government started straightening up the bureaucracy, an exercise that involved changes in structure and systems that would result in a modern and efficient bureaucracy. The human resources development interventions are expected to improve the quality of services to the community.

Number of Civil Servants

Indonesia had around 3.74 million civil servants in 2005. Given a population of 220 million, every civil servant would serve 58-59 people. This has been the situation after 2003. In 2003, there was a slight drop in the ratio (1:55-56). While in the early years of the so-called New Order Government (1966-1998), the ratio was only 1:47-48. This was because the number of civil servants was less than half the present number, and the Indonesian population almost one-third of the present time. The whole picture of the civil service in Indonesia during 1974-2005 can be seen in Table 2.

Table 2
Total Civil Servant in Indonesia, 1974-2017

No.	Job placement	1974		2002		2003*		2005	
		Number	%	Number	%	Number	%	Number	%
1	Central government	1,312,254	78.3	915,660	24.0	840,007	23.1	896,211	24.0
2	Provincial governments	362,617	21.7	2,907,426	76.0	311,047	8.5	303,724	8.1
3	Regency or municipality					2,496,951	68.4	2,541,560	67.9
Total		1,674,871	100.0	3,823,086	100.0	3,648,005	100.0	3,741,495	100.0
		2006		2011		2016		2017	
		Number	%	Number	%	Number	%	Number	%
		764.305	78.3	925.848	20.26	921.349	21.05	928.168	21.62
		3.294.337	81.7	3.644.970	79.74	301.781	6.89	575.080	13.40
						3.154.124	72.06	2.789.068	64.98
		4.005.8642	100.0	4.570.818	100.0	4.377.254	100.0	4.292.316	100.0

Notes. *Since 2003, the regional civil servants have been classified as: (a) provincial civil servants; and (b) regency or municipality civil servants. However, in 2002, it was difficult to calculate the division.

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

By the implementation of decentralization or regional autonomy vide Law No. 22 of 1999, at the beginning of 2001 and subsequently in 2003, the regional civil service was divided into provincial civil service,

and regency or municipality civil service (see Table 2). From 2002 onwards, the number of civil servants at the regional levels happened to be far higher than in the central government. This phenomenon is in line with the objective of the government of providing better quality services to the public as well as moving closer to the society (Chham, 2006).¹

Salary

Although civil servants in Indonesia comprise only around 1.7-1.8 percent of the total population, the quality of the government employees is considered rather low. This situation is partly contributed by the salary structure of civil servants in Indonesia, which is considered unattractive. In order to have a clean, effective, and efficient administration, employee welfare measures should be considered seriously by the government.

Table 3
Basic Salary for Government Employee (1,000 Rupiah/Month)

Rank	A					B				
	1993	1997	2001	2003	2005	1993	1997	2001	2003	2005
I	78.0	135.0	500.0	575.0	661.3	92.2	151.1	537.5	619.7	712.6
	150.8	254.6	689.3	767.7	882.8	173.8	271.4	723.1	809.2	930.5
II	110.1	182.9	620.0	725.6	834.4	129.0	204.8	667.3	782.0	899.2
	277.3	409.3	832.8	1,047.1	1,204.2	294.0	425.7	686.5	1,091.4	1,255.2
III	150.2	241.8	760.8	905.4	1,041.2	154.0	251.5	788.3	943.7	1,088.2
	374.2	527.9	1,129.4	1,292.1	1,485.9	390.8	549.0	1,170.2	1,346.8	1,548.8
IV	168.6	282.9	878.8	1,068.6	1,228.9	176.4	294.2	908.4	1,113.8	1,280.9
	450.2	617.6	1,301.6	1,525.1	1,753.8	474.0	612.3	1,348.6	1,589.6	1,828.0
Rank	A					B				
	1993	1997	2001	2003	2005	1993	1997	2001	2003	2005
I	94.7	157.1	557.1	645.9	742.8	97.2	163.4	577.2	673.2	774.2
	190.7	282.2	749.1	843.4	969.9	207.6	293.5	776.2	879.1	1,010.9
II	131.7	212.9	691.4	815.0	937.3	135.3	221.5	716.4	849.5	976.9
	314.7	442.7	1,001.4	1,137.6	1,308.3	336.3	460.4	1,037.5	1,185.8	1,363.6
III	157.8	261.6	816.7	983.6	1,310.1	161.8	272.0	816.2	1,025.2	1,179.0
	407.4	571.0	1,212.5	1,403.8	1,614.3	424.0	593.8	1,250.2	1,463.2	1,682.6
IV	184.2	306.0	941.2	1,160.9	1,335.1	192.0	318.2	975.2	1,210.1	1,391.6
	949.6	668.0	1,367.3	1,656.9	1,905.4	515.2	694.7	1,447.7	1,727.0	1,986.0
I	1993	1997	2001	2003	2005					
	n.a.	n.a.	n.a.	n.a.	n.a.					
II	1993	1997	2001	2003	2005					
	n.a.	n.a.	n.a.	n.a.	n.a.					
III	1993	1997	2001	2003	2005					
	n.a.	n.a.	n.a.	n.a.	n.a.					
IV	1993	1997	2001	2003	2005					
	201.6	331.0	1,010.4	1,261.2	1,450.4					
	537.6	722.5	1,500.0	1,800.0	2,070.0					

Notes. (a). In 1993; US \$1 = Rp. 2.100, in 1997; US \$ 1 = Rp. 4.650, in 2001-2005; US \$ 1 = Rp. 9.200-Rp. 10.000. (b). Indonesia's civil service is divided into four ranks, from I (lowest) to IV (highest), each with a basic salary scale. Each rank is divided into four grades (a, b, c, and d) and only rank IV has five grades (a, b, c, d, and e), making a total of 17 grades from Ia to IVe. Educational qualifications and seniority determine a particular officer's rank. A university degree is required to be in rank III and IV.

¹ The main objective of public service reform in most Asian countries is how to provide better quality service to the public. For example, in Cambodia the slogan is "Serving People Better".

Rank	a			Rank	b		
	2006	2011	2015		2006	2011	2015
I	661.3	1,175.0	14,865.5	I	712.6	1,276.0	1,623.4
	882.8	1,675.2	2,224.6		930.5	1,770.2	2,355.2
II	834.4	1,505.4	1,926.0	II	899.2	1,634.8	2,103.3
	1,204.2	2,361.4	3,213.0		1,255.2	2,461.3	3,348.9
III	1,041.2	1,902.3	2,456.7	III	1,085.2	1,982.8	2,560.6
	1,485.9	2,943.4	4,034.8		1,548.8	3,067.9	4,205.4
IV	1,228.9	2,245.2	2,899.5	IV	1,280.9	2,340.2	3,022.1
	1,753.8	3,473.9	4,762.0		1,828.0	3,620.8	4,963.4

Rank	c			Rank	d			Rank	e		
	2006	2011	2015		2006	2011	2015		2006	2011	2015
I	742.8	1,330.0	1,692.1	I	774.2	1,386.3	1,763.6	I	n.a	n.a	n.a
	969.9	1,845.1	2,454.8		1,010.9	1,923.2	2,558.7		n.a	n.a	n.a
II	937.3	1,703.9	2,192.3	II	976.9	1,766.0	2,285.0	II	n.a	n.a	n.a
	1,308.3	2,565.4	3,490.6		1,363.6	2,674.0	3,638.2		n.a	n.a	n.a
III	1,131.1	2,066.6	2,668.9	III	1,179.0	2,154.1	2,781.8	III	n.a	n.a	n.a
	1,614.3	3,197.6	4,383.3		1,682.6	3,332.9	4,568.8		n.a	n.a	n.a
IV	1,335.1	2,439.1	3,149.9	IV	1,391.6	2,542.3	3,283.2	IV	1,450.4	2,649.9	3,422.1
	1,905.4	3,774.0	5,173.4		1,986.0	3,933.6	5,392.2		2,070.0	4,100.0	5,620.3

Source: National Civil Service Agency (BKN), various publications, Jakarta.

The remuneration system for government employees in Indonesia is called *Sistem Skala Gabungan* (combination scale system). It is a combination of the single scale, and the double scale system. The single scale system means that the same level or rank, regardless of the type of job and level of responsibility. The double scale system means that salaries are given to employees based on the level of responsibility and the type of job. Therefore, some civil servants might have higher salaries when compared with their colleagues at the same level/rank under the *Sistem Skala Gabungan*.

Graduates, regardless of the job and responsibility, are around US\$ 66 per month (a little above US\$ 2 per day). The salary for the highest-ranking government employee, rank IVe with 32 years in service, is only around US\$207 per month. This is equivalent to six percent of the salary drawn by the president, director, or chief executive officer (CEO) of even ordinary state-owned enterprises. The complete details of the salary structure of the Indonesian civil service (1993-2005) are given in Table 3.

The ratio between the lowest and the highest earners started changing from the year of 2001.² If in 1993, the ratio was 1:7, starting 2001, it was 1:3. While in recent years, governments have become aware that they need to link salaries to the market in order to attract and retain the talent necessary to improve and sustain civil service performance, salary structures in Indonesia discourage most of the best graduates from well-know universities to become a government employee.

Moreover, low salaries encourage civil servants to indulge in malpractices and illegal activities, such as accepting bribes, asking favors or some form of compensation for services rendered. In developing countries, like Indonesia, allowances and benefits play a substantial role in the compensation package of civil servants. Moreover, where moonlighting and corruption prevail, it is likely that senior civil servants would earn even more than the junior since the opportunities is much more open for them.

² With the late President Soeharto stepping down in May 1998, Indonesia embarked upon *Era Reformasi* (reformation era) with democratization as its main pillar. Hence, equality in every aspect is important.

The condition of the Indonesian bureaucracy is alarming. It is considered slow, non-transparent, and non-accountable. Therefore, a reform in civil service is urgently required in order to establish systems of good governance in Indonesia.

Basis for Change

In many Asian countries, public administration is in the process of considerable change and reform. Citizens in these countries, as well as in Indonesia, have demanded faster, better, and cheaper public service. They have also demanded for more effective and efficient government. In order to meet these demands, the nation has to change its public management into more democratic, efficient, and citizen-oriented governance. Good governance is much more than routine operations of the government. It is a redefinition of governance-citizen relationship in which civil society, business, and other interest groups have a stake.

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

(1) Citizen participation index: An aggregated measure using indexes of political freedom and political stability.

(2) Government-orientation index: An aggregated measure using indexes of judicial efficiency, bureaucratic efficiency, and lack of corruption.

(3) Social development index: An aggregated measure using indexes of human development and egalitarian income distribution.

(4) Economic management index: An aggregated measure using indexes of outward orientation, central bank independence, and inverted ratio of debt to gross domestic product.

This governance quality index is three-tiered: good, fair, or poor. The result for select countries in Asia is summarized in Table 4. A couple years later, in 2003, the World Bank constructed an index for government effectiveness, comparing the quality of public bureaucracy, policy-making, and service delivery as one of six elements of a measure of governance (Kauffman, Kray, & Mastruzzi, 2003).³ When government effectiveness was tested against data from 175 countries, the analysis confirmed that government effectiveness contributed to higher national income (Kauffman, 2003).

Table 4
Quality of Governance in Select Countries

No	Country	Quality index	Governance quality
1	Singapore	65	
2	Japan	63	
3	Malaysia	58	Good
4	Republic of Korea	57	
5	Sri Lanka	45	
6	Philippines	44	
7	India	43	Fair
8	Thailand	43	
9	China	39	
10	Indonesia	38	
11	Nepal	36	Fair
12	Pakistan	34	

Source: Adapted from Hunter and Shah's (1998) Table 2.1.

³ The complete six indicators are: (1) voice and accountability, (2) political stability, (3) government effectiveness, (4) regulator quality, (5) rule of law, and (6) control of corruption.

The assessment of governance quality in Indonesia (see Table 4) is clearly *poor*. Good governance is that most important state guarantee to ensure that political and economic activities benefit the whole society and not just a select group of influential individuals or institution. In the absence of good governance practices, corruption and discretion flourish.

Direction of Reform

Many developing states are considered *weak* mainly because of the inability to control bureaucrats and oblige them to enforce the will of the state (Fukuyama, 2004). Bureaucracies in developing countries are riddled with patronage and corruption, and cleaning them through the implementation of modern (in terms of recruitment, training, promotion, and discipline) civil service system has been a central goal of institutional reform (Fukuyama, 2004).

Institutional Approach

The United Nations describes civil service reform as developing the capacity of the civil service to fulfill its mandate. Civil service reform has historically focused on the need to contain the costs of public sector employment through retrenchment and restructuring, but has broadened its scope keeping 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 (United Nations Development Program [UNDP], 2003).

A report submitted to the Indonesia government clearly indicated, “the civil service reform strategy should include changes to the incentive system, size of the civil service, recruitment, performance management, remuneration, and probity” (The World Bank, 2001, pp. 314-315). Institution building and ethical conduct could be considered as important factors in civil service reform in Indonesia at present time.

In order to have an effective and efficient public service, most governments have established either a Civil Service Commission or a Public Service Commission. In South Korea, the Civil Service Commission was established in 1999. It has been leading major civil service reform initiatives. In 2004, the personnel management function, previously with the Ministry of Government Administration and Home Affairs, was transferred to it, creating a single central personnel authority for the government in South Korea (Kong, 2006).

Table 5
Responsibilities in Central Government Agencies

No.	Agency	Function
1	Office of the Prime Minister	Overall government policy
2	Ministry of Finance	Pay and pensions
3	Ministry of Public Service	Deployment and condition of service for public servants
4	Public Service Commission	Appointment promotion, transfer and discipline
5	National Administrative Staff College	Training and development

Source: Adapted from Table 6, World public sector report (United Nations Department of Economic and Social Affairs [UNDESA], 2005).

In 1999 again, the State Service Commissioner of New Zealand asked for and was given responsibility to develop a solution for the absence of corporate capacity in the civil service. Since then, human resource management issues are being increasingly addressed from a corporate perspective in New Zealand (UNDESA, 2005). The division of responsibility in various parts of the world is summarized in Table 5.

The structure outlined in Table 5 is particularly close to the commonwealth model. However, even non-commonwealth countries, such as South Korea and Thailand have similar arrangements in place. In

Indonesia, despite a clear provision in Law No. 43/1999 which came into effect in 2000, the government yet to establish a Civil Service Commission. The division of responsibility among ministries and institutions in Indonesia is show in Table 6.

Table 6
Division of Responsibility in Indonesia

No.	Agency	Function
1	Office of the President (State Secretariat and Cabinet Secretariat)	Overall government policy
2	Ministry of Finance ⁴	Pay and pensions
3	Ministry of Administrative Reforms ⁵	Supervision, coordination, monitoring and evaluation of all civil service matters
4	National Agency for Civil Service	Appointment, promotion, ⁶ and transfer
5	National Institute of Public Administration	Training and development

Ethics and Morality

Power can easily be abused by the bureaucracy. Frederick (1940) drew attention to the growing importance of ethic/moral values and professional standards in the bureaucracy. The Meier and O'Toole (2006) investigation showed that bureaucratic values are far more important in explaining output and outcomes than political factors. In order to become respectable community leaders, government employees have to establish the image of clean and persistent authority.

In Indonesia, government employees are sometimes regarded as *panutan* (community leader). This obliges them to do many things for the benefit of the community, in which they live. In the role of *panutan*, government employees are custodians of ethics and morality. They are expected to behave ethically, obey rules and regulations while conducting their activities, and avoid irregularities (Magnis, 1996; Natakusumah, 1990).

Capacity building in the civil service is the foremost concern of governments all over the developing world. Planned interventions start at the recruitment stage, and continue till the retirement stage of the civil servant. Furthermore, the recruitment process should be fair and open in order to enable selection of the best candidates. Education and training of civil servants is continuous. Furthermore, the government should also provide civil servants who exhibit extraordinary performance scholarship to pursue higher education both in the country and overseas (The World Bank, 1993a).

Conclusion

Since the 1980s, many countries around the world, including Asian countries, have devoted major efforts to promote administrative reform, focusing on the openness, transparency, and accountability in government. The need for good governance appears in all countries in the world regardless of their economic condition or development stage. For some Asian countries, it becomes more important following the Asian financial and economic crisis in the middle and late 1997.

After the fall of the so-called New Order Government in 1998, and the passing of Law No. 22/1999 on decentralization or regional authority and Law No. 43/1999 on civil service administration, opened up the

⁴ The Ministry of Finance is responsible for pay and pensions system of the civil service. However, State-Owned Enterprise (SOE) financial responsibility is under the supervision and control of the State Ministry for State-Owned Company (*Menteri Negara BUMN*).

⁵ The Ministry of Administrative Reform has powerful authority since the National Agency for Civil Service (BKN) and the National Institute of Public Administration (LAN) are under its functional supervision and coordination.

⁶ Promotion for highest echelon (Echelon I) is done by the evaluation team (TPA), directly chosen and chaired by the President.

possibility of public service reform in Indonesia. However, the reform momentum has yet to take Indonesia past the finishing post. Strong and determined leadership to steer reforms is crucial. Whether it exists in Indonesia is a big question. As yet, nobody can predict when honest, productive, creative, responsible, and professional civil servants would appear in Indonesia. Like all good Moslems in Indonesia, one can only say *Insyah Allah* (God willing).

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