# THE EFFECTS OF REMUNERATION ON THE EMPLOYEES' PERFORMANCES AT THE PRESIDENTIAL PALACE IN JAKARTA

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*ABSTRACT- This study aims to determine the effects of remuneration, self-efficacy, self-adversity and self-monitoring on the employees' performances. The research was conducted at the Presidential Palace in Jakarta using survey methods applied in structural equation models and hypothesis testing in which 117 samples were randomly selected. The results showed that (1) there is a positive direct influence on the performances of employees' remuneration; (2) there is a positive direct effect of self-efficacy on the performances of employees; (3) there is a positive direct effect of adversity on the performances of employees; (4) there is a positive direct influence of self-monitoring on the performancse of employees; and there is a jointly positive direct influence between the remuneration, self-efficacy, adversity, and self-monitoring of employees' performances. Thus, the remuneration, self-efficacy, adversity, and self-monitoring are important factors that determine the performances of the employees.*

*Keywords- Remuneration, performance, employee, presidential palace*

## I   INTRODUCTION

The 1997 economic crisis in Indonesia had developed into a multidimensional crisis in 1998. These conditions engendered all walks of life including the government to immediately reform the life of the nation and state. Since then, a number of important changes have become a milestone within the fields of politics, law, economics and bureaucracy, known as the first wave of reforms. Improving the performance of the public service apparatus is one of the important issues in the public administration reform in various countries, including Indonesia. The demand for improving the performance of public officials is even greater if it is associated with government efforts to improve the country's competitiveness in a global competition. The

economic performance, the level of government efficiency, business efficiency and the quality of infrastructure determine a country's competitiveness.

In its development, the implementation of reforms like the first wave of reforms in the bureaucratic sector is lagged behind compared to reforms in the political, economic, and legal fields. For this reason, the government reaffirmed the importance of applying clean government and good governance that are universally believed to be the principles to provide excellent services to the community in 2004. The delivery of public services boils down to improving services to the public undertaken by the government. The performance of the government is directly related to the activities of providing services to improve the welfare of the community. Until recently, it has been regarded as suboptimal, and more efforts are required to make continual improvements. The reality in the field shows that not all employees are aware of their roles and responsibilities for the organization. A few of them are not serious in doing their work. This tendency occurs both at the implementing workers and the managerial levels.

Several indicators prove that the poor performance of the public service apparatus in Indonesia (most of which are Civil Servants), among others, results from long-winded and bureaucratic services; high cost (high cost economy); additional levies, the behavior of officials who acted more as officials than servants of the community; discriminatory services; put personal, or group interests first, including the interests of superiors over the public interest; lazy behavior in taking initiatives outside the rules; slowdown in providing services; less interested in socializing various regulations to the public, and so forth. The World Bank report states that civil servants often look for reasons for poor performance, absenteeism and corrupt practices by stating that they are not paid adequately (World Bank, 2012).

In order to improve the performance of ministries and government agencies at the ministry level, efforts have been made by the government including issuing various assessment indicators such as Government Institution Performance Accountability Report (LAKIP) carried out by the Ministry of Administrative Reform and Bureaucratic Reform (MENPAN and RB) , and Financial Statements and Inventory of State Property by the Supreme Audit Board (BPK). The Deputy for Accountability in the Ministry of Administrative Reform (MenPAN) and RB, in his presentation "Evaluation of Government Institution Performance Accountability Evaluation", (2012) stated that five criteria for LAKIP rating ratings as issued by MENPAN and RB include AA (Satisfactory), A (Very Good), B (Good), CC (Good Enough), C (Somewhat Poor), and D (Less). Meanwhile, the assessment of the Financial Statements and Inventory of State Property as issued by the BPK has five criteria, namely Unqualified Opinion, Unqualified Opinion with Explanatory Language, Unqualified Opinion with Explanatory language, Unqualified Opinion with Explanatory language, Quilified Opinion, Adverse Opinion, and Disclaimer Opinion.

The 2011 assessment of the Government Agency Performance Accountability Report (LAKIP) was conducted by MENPAN, RB, and the Ministry of State Secretariat. The result was the criterion of "B" (Good) because the Ministry of State Secretariat was judged to have demonstrated good performance accountability, and a good

system can be used for the performance management. This result needs further improvements especially the soft systems. The assessment results have placed the Ministry of State Secretariat ranked 17th out of 82 Ministries and Institutions. Meanwhile, for the 2011 Financial Statements, the Supreme Audit Agency (BPK) gave an OWTP (Fair Opinion Without Exception) value to the Ministry of State Secretariat because the results of the financial statements were fairly presented in all material respects, financial position, results of operations, changes in equity and cash flow in accordance with generally accepted accounting principles.

Based on the two results of the assessment, the performance of the Ministry of State Secretariat is considered not optimal, so that it surely needs continuous improvement especially in terms of performance management to produce good performance accountability, perform well, have a reliable performance management system, use knowledge management to build a culture of performance, and do a lot of innovation so as to achieve a better criterion of A (Excellent). It is even expected to reach the AA criterion (satisfying), so that it can become an institution that leads change, has a high performance and accountable culture, and continuously innovates. To support the improvement of civil servant performance, MENPAN and RB have issued a 2010-2014 Bureaucracy Reform Roadmap document, which states that the 2014 bureaucratic situation is expected to achieve an improved performance. The situation can be shown through (a) Organization of good governance, clean, free of corruption, collusion and nepotism; (b) Quality of public services; (c) Bureaucratic performance capacity and accountability; and (d) Professionalism of the apparatus of human resources supported by the recruitment and promotion system of the apparatus based on compensation and transparency to encourage the mobility of the apparatus among regions between centers and regions commensurate with salaries and forms of welfare guarantees (KemenPAN and Bureaucratic Reform, 2011: 1). Thus, referring to the problem identification, and limitation of the problems, this study raises questions as follows: (1) Does remuneration affect the performance of Jakarta Presidential Palace's employees? (2) How effective is the remuneration on the performance of employees in the Jakarta Presidential Palace?

## II  Method

This study used a quantitative approach along with a survey method, and it aims to assess large and small populations by selecting and reviewing selected samples from the population to find out the relative incidence, distribution, and interrelation of sociological and psychological variables (Kerlinger, 2006: 660). According to Chourmain, this type of research aims to find out the momentary position variable (a status quo variable) based on existing data at the time (status quo data) and the relationship between the variables to draw conclusions. (Chourmain, 2006: 56). Specifically, surveys are used to study attitudes, beliefs, values, demographics, behaviors, opinions, habits, desires, ideas, and other types of information. From the data, facts or information can then be used to illustrate the condition of each variable, so that it is possible to know the effect of one variable on another variable, which in the context of this study, is the effect of the remuneration, self-efficacy,

resilience, and self-monitoring variables. The constellation model of influences between variables involves 1 (one) dependent variable and 4 (four) independent variables. The dependent variable is employees' performances as a parameter (Y), while the independent variable is the remuneration as a parameter (X1), self-efficacy as a parameter (X2), endurance as a parameter (X3), and self-monitoring as a parameter (X4).

## III Discussion

Remuneration policy is an inseparable part of bureaucratic reform. This is an awareness-raising strategy to realize clean and good governance in that it would not be possible to carry out well (effectively) without the proper welfare of employees (Ihsan Effendi, Heri Syahrial, and Khairunsyah, 2009: 188). Oxford Advanced Learners' Dictionary (AS Hornby) defined remuneration as a payment or reward, and payment. A reward in Indonesian is often known as compensation; some books and articles are often inconsistent in using the term remuneration with the term compensation. Some argue that the terms remuneration and compensation have the same meaning. Michael Armstrong and Helen Murlis, for example, argue that compensation is another term (usually remuneration for Americans).

According to the Indonesian dictionary, remuneration is gifts (awards for services and so on), or reward (KBBI, 2005: 946). Another understanding of remuneration is all forms of compensation received by employees for contributions to organizations directly or indirectly, in the form of cash or non-cash, given regularly or at certain times. Furthermore, Ihsan Effendi, Heri Syahrial and Khairunsyah said that remuneration is the provision of employees' benefits, which can be in the form of salary, honorarium, fixed allowances, incentives, bonuses or achievements, severance pay and retirement (Deputy HR Apparatus, 2009: 187). Achmad Ruky further stated that the term "compensation" is used by Indonesians to refer to human resource management books imported from United States of America. The United Nations and the International Labor Organization call it remuneration (Ruky, 2006: 9). According to Mondy (2008: 4), compensation is the total compensation received by employees in lieu of the services they have provided. In addition, compensation can be divided into a direct financial compensation, i.e. payments received by someone in the form of wages, salaries, commissions, and bonuses; and an indirect financial compensation, i.e. all financial rewards beyond a direct financial compensation.

Wibowo stated that compensation is a counter-achievement to the services provided by labors. Compensation is the number of packages offered by the organization to workers in return for the use of its workforce. Werther and Davis define compensation as what workers receive in exchange for their contribution to the organization (Wibowo, 2008: 133-134). Shawn Tafreshi (2011: 132) concludes that "... all payments by an employer would count as remuneration". Rewards (compensation/remuneration) have a wider scope than wages or salaries. Remuneration includes "all expenses incurred by the company for employees and received or enjoyed by employees, either directly, routinely or indirectly (someday)".

Armstrong and Murlis (2003: 1-2) stated that reward management is compilation, implementation, maintenance, communication and evaluation of the reward process. The reward process includes measurement of position value / weight; salary structure design and management; work management; payroll based on performance, competence, or skills (contingent salary), provisions for employee benefits and pensions and the management of reward procedures. Reward management also considers the development of an appropriate organizational culture along with the underlying core values, and increases employees' motivation and commitment. On the other hand, Notoatmodjo (2003: 153) defines compensation as everything that is received by employees as compensation for their work. When related to the level of work, Frans Poels (2003: 1) defines remuneration as a process that occurs after functions are ranked and a salary structure is then arranged. Then Poels elaborates the salary structure in the concept of remuneration as an entity of coherent figures (monetary salary amounts) that sets individual wages according to certain proportions (salary scale) and establishes the relationships in wages between work and workers in an organizational unit. In Poels's concepts, salaries include (1) type of organization with respect to structure and culture; (2) competition in the labor market; (3) relationship between salary and benefits; and (4) ccales (the desired difference/distance in wages between the highest job and the lowest job) (Poels, 2003: 156).

Milkovich and Newman (1999: 6) stated that compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. Compensation refers to all forms of financial benefits and tangible services and bonuses received by employees as part of an employment relationship. Werther and Davis stated that compensation means to pay anything else considered a minor that is a fringe benefit in recent years, fringe benefits that have become a major part of employees' compensation and employers' costs (Werther & Daris, 1996: 385). Compensation is often interpreted as payment. It is considered a small part of the benefits. In recent years, additional benefits have become a major part of the benefits given to employees and costs that must be incurred by the employer. James L. Gibson, and John M. Ivancevich, James H. Donelly Jr., and Robert Konopaske (2012: 182) add that rewards can be used to motivate performance. If the rewards are appropriate, employees can exert efforts to achieve high levels of performance.

To implement the employees' remuneration system, a strategy is required so that its implementation can run effectively. The provision of appropriate remuneration can encourage employees to work more productively, effectively and efficiently to achieve the goals and objectives of the organization. To design a remuneration system that is appropriate and acceptable to all employees, is a difficult problem. In this case, Milkovich and Newman (1999: 12-13) suggest that the formulation of remuneration implementation strategies can be explained through a payment model framework that consists of three basic functions, namely (1) Remuneration's strategic objectives, such as efficient, fair and fulfilling statutory provisions. The efficient goal is directed at how the remuneration system can improve performance, quality, satisfy customers and stakeholders and control employees' costs. To achieve justice, an informative explanation and openness are needed, so that all employees can be treated proportionally in accordance with company demands and employees' contributions. The

provision of the remuneration system must refer to the relevant laws and regulations; (2) Strategic policies that form the basis of a remuneration system. Every company should pay attention to four strategic policies that include internal balance, competitiveness, employee contributions, and administration; and (3) Remuneration technique as a means that links the policy with achievable goals.

Assessment of internal balance always begins with a job analysis, so that the description of each job in the organization can really be understood. Job evaluation and determination of the level of competence / skills demanded by the job will produce an internal structure that provides an overview of the level of importance of a job towards achieving company goals. According to Armstrong and Helen Murlis (2003: 1-4), the implementation of remuneration strategies is based on employee performance carried out in two ways, namely (1) combining a basic salary with a compensation for the performance, skills and competence in a salary scheme; and (2) using a contingent salary pattern (salary variable) associated with individual, team performance, contribution, competence or skills. Contingent salary (salary variable) is not a fixed salary, so each period requires an effort to get it. This salary variable is called a risky salary or pay at risk, because employees are at risk of not getting this salary/bonus unless they reach or exceed the targeted standard level. It can be synthesized that the meaning of remuneration is the employees' benefits provided by the organization to employees because the employees have contributed energies and thoughts to the progress of the organization to achieve the goals. The indicators for the employees' remuneration include (1) salary or wages; (2) incentives; (3) bonuses or achievements; and (4) benefits.

## IV Conclusion

The remuneration variable (X1) consists of 26 valid statement items out of 30 statement items, so that the remuneration variable score is theoretically at intervals of 26-130. Based on the data collected using a performance questionnaire given to 90 employees at the Jakarta Presidential Palace, the statistical processes obtained from the descriptive statistical data are presented in the table below.

Table 1 Remuneration Descriptive Statistics (X1)

| No. | Statistik Deskriptif | Nilai | Statistik Deskriptif | Nilai |
|---|---|---|---|---|
| 1. | Skor minimal | 74 | Median | 100 |
| 2. | Skor maksimal | 124 | Modus | 100 |
| 3. | Range | 50 | Standar Deviasi | 9,736 |
| 4. | Rata-rata | 100,97 | Varians | 94,797 |

Table 1 shows the empirical score from the analysis of the remuneration variable data, namely an average value of 100.97, a median of 100, a mode of 100, a standard deviation of 9.736, and a variance of 94,797. Based on data in the field, as many as 90 respondents statistically processed into frequency distributions, and 8 classes

with a maximum score of 124 and a minimum score of 74 with a score range of 50. The results of data processing is described in the frequency distribution list, as follows:

Table 2

The Frequency Distribution of Remuneration Scores

| Kelas | Kelas Interval | Frekuensi Absolut | Frekuensi Relatif | Frekuensi Kumulatif |
|---|---|---|---|---|
| 1. | 74 - 80 | 3 | 3.33 | 3.33 |
| 2. | 81 - 87 | 6 | 6.67 | 10.00 |
| 3. | 88 - 94 | 10 | 11.11 | 21.11 |
| 4. | 95 - 101 | 34 | 37.78 | 58.89 |
| 5. | 102 - 108 | 18 | 20.00 | 78.89 |
| 6. | 109 - 115 | 12 | 13.33 | 92.22 |
| 7. | 116 - 122 | 6 | 6.67 | 98.89 |
| 8. | 123 - 129 | 1 | 1.11 | 100.00 |
| | Jumlah | 90 | 100 | |

Based on the group of scores in Table 4.4, the distribution of dominant performance variable scores in the interval class 95 - 101 is 37.78%, followed by the 102-108 interval class as much as 20%, the interval class of 109 - 115 is 13.33%, the interval class 88 - 94 is 11,11%, interval classes 81 - 87 and 116 - 122 are 6,67%, interval classes 74 - 80 are 3.33%, and the interval classes 123 – 129 are 1,11%. The frequency distribution of remuneration scores is mainly concerned with the calculation of respondent data using a scale instrument. In addition, the data show that the remuneration score along with the highest frequency/number of respondents ranging from 95 - 101 (the fourth class interval). The distribution of scores will form a histogram, as follows.
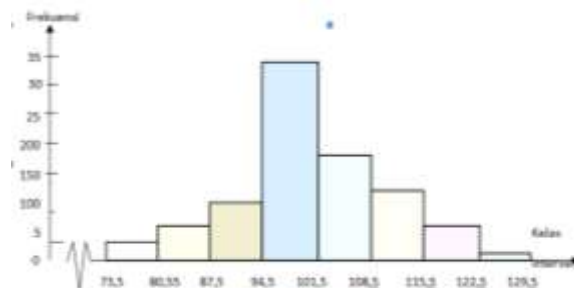


Gambar 4.2.

Histogram Skor Remunerasi

a. **Significance and Linearity of Remuneration (X1) towards Performance relationship (Y)**

After calculating and analyzing the Remuneration regression equation for Employees' Performances in the Jakarta Presidential Palace, the results can be explained through the following table. Anava for Test of Significance and Linearity of Regression Equations, Remuneration Variable (X1) on Performance (Y) $\hat{Y} = 28.769 + 0.667 X1$

| Sumber Varian | Db | JK | RJK | F_hitung | F_tabel (0.01) | F_tabel (0.05) |
|---|---|---|---|---|---|---|
| Total (n) | 90 | 836843,00 | | | | |
| Regresi a | 1 | 31168,90 | 831168,90 | | | |
| Regresi b/a | 1 | 32752,00 | 32752,00 | 173,73** | 6,93 | 3,95 |
| Sisa (Residu) | (90-2)=88 | 1922,10 | 21,36 | | | |
| Tuna Cocok | (32-2)=30 | 336,57 | 11,22 | 0,41ns | 2,04 | 1,66 |
| Galat | (90-32)=58 | 1585,53 | 27,34 | | | |

## V  Notes:

The Freedom Degrees (Db), the Number of Squares (KL), the Average Number of Squares (RJK), **: Regression equation is very significant (Fcount > Ftable, pada α=0,01),  non-significant (ns), the meaning of linear regression (Fcount < Ftable , at α=0,05). The regression equation is known as Ŷ = 28.769 + 0.667 X1. Based on the result of Fcount = 173.73, the Ftable with numerator db = 1 and denominator db = N - 2 = 88, at the real level is α = 0.01 obtained from Ftable  (1/88 ; 0.01)  = 6.93, while at the real level of α = 0.05, the Ftable is (1/88; 0.05) = 3.95. Because Fcount  < F table is 173.73> 6.93 and 173.73> 3.95, the regression coefficient is very significant. In addition, the F table is a numerator db = 30 and the denominator db = N = 58, at the real level α = 0.01 the Ftable is (30/58; 0.01) = 2.04 while at the real level, the result is α = 0.05 Ftable (30/58; 0.05) = 1.66. Because the Fcount < Ftable is 0.41 <2.04 and 0.41 <1.66, the relationship between the remuneration variable and the performance variable is linearly patterned. The first research hypothesis testing in this study is that there is a positive effect of remuneration on the performances of employees in the Jakarta Presidential Palace. The hypothesis is statistically formulated as follows H0: β1 ≤ 0, H1: β1>. The results of SPSS software version 18 calculation is presented in Table 4.16 describing a coefficient of b1 = 0.212 and tcount = 3.537 while ttable (85; 0.05) = 1.7. Because the tcount > ttable, then Ho is rejected and H1 is accepted. This means that the research hypothesis is accepted. Thus, remuneration has a positive effect on the performances of employees in the Jakarta Presidential Palace. In other words, an increase in the remuneration will result in an increase in the performance.

### b. Effects of Remuneration on Performances

The results of the first hypothesis testing indicate that remuneration has positive effects on performances. This means that the level of performances of employees is determined by remuneration. If the remuneration level given to employees is proper and sufficient, it will support the implementation of daily employees' duties, so that this condition will contribute to the realization of employees' performances. In terms of the remuneration given, employees will be more willing to carry out the duties and functions they have. Conversely, employees' performances will decline if it is not supported by a good level of remuneration. This is supported by Sedarmayanti's opinion which states that the size of compensation can affect work performances, motivation and job satisfaction of employees. If compensation is given appropriately, employees will get a job-related

satisfaction and be motivated to achieve organizational goals. But if the compensation given is inadequate, work performances, work motivation and employees' job-related satisfaction may decrease. Moreover, compensation is not only important for employees, but also for the organization. Compensation programs are a reflection of an organization's efforts to maintain human resources. If the organization does not pay attention to the problem of compensation for its employees, then the organization will gradually lose high-quality human resources.

The findings in this study reinforce that remuneration has a positive effect on employees' performances. The influence of remuneration on performances further strengthens the theories about the importance of remuneration in improving employees' performances. Remuneration has a positive effect on the performance of Jakarta Presidential Palace's employees. This means that an increase in remuneration will result in an increase in the performances of employees in the Jakarta Presidential Palace. Increased remuneration will result in improved performances. The implication is that if the remuneration increases, it will be followed by an improved performance. Therefore, if you want to improve employees' performances, it is necessary to increase the remuneration. The efforts that can be carried out include: (a) Providing decent salaries to employees in accordance with their work and responsibilities. Using a good remuneration system, employees will work well, encourage employees to develop services and energies as much as possible dealing with their abilities, employees can meet their needs, provide a social status in the society, increase employees' loyalty to the institution in which the employees are dedicated, and provide calmness, serenity and pleasure of employees in carrying out their duties. (b) Provide periodic salary increases. The regular salary increases will increase the employees' morale, so that they will continue to develop themselves to improve their performances. (c) Give awards to employees who excel by providing scholarships to continue their studies to a higher level of education. (d) Providing complete work facilities for employees.

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