

# Regional Performance Allowance; Its Effect to Employee Performance and the Success of Local Government in Gorontalo Province, Indonesia

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## Abstract

This study explores two interesting issues namely the influence of regional performance allowance in improving employee performance, and the effect of employee performance towards the success of local government or its organizational performance. This research is designed into qualitative research. The results show that the average performance of the employee is improved significantly to 84.1% (excellent category) since the launching of this kind of allowance in 2004 through 2009 in Gorontalo Province. The success can be seen from the attainment of its program namely economic development is represented by agriculture and fisheries, while socio-cultural program is represented by education and health. It also indicates that the organizational performance is improved in terms of doing and accomplishing the activities or development program that has been established. This success is due to hard work, achievement and productivity of the local government employee who considered as the pioneer of development in this region.

**Keywords:** Incentive, Employee performances, Organizational performances.

## Introduction

Regional performance allowance (in Gorontalo Province it is known as TKD) is an effective instrument of organizational management to stimulate the entrepreneurial spirit in the local governance. In the development of the science of public administration paradigm, this instrument is known as new public management (NPM). This concept has focused on the management, performance, results-based accountability, the application of outsourcing to help the development of competition in the public sector; cost cutting and efficiency; performance-based payment and the manager's freedom to manage the organization (Hood, 1991). The main characteristics of NPM is the changes of bureaucratic environment based on the basic rule towards a flexible management system, oriented more on the public interest and prefer public sector organizations are professionally managed.

Osborne and Gaebler (1993) suggest that public sector organizations in modern society are strongly influenced by the environment in which it is located and operated. If this condition happens then NPM is the answer which demanding government intervention to make changes and encourage its employee to achieve optimal performance. Motivating the employees is not enough by using power only as classical approach. However, the government should establish a new and direct intervention policy in the form of giving incentives. It is given to employees as a modern approach related to job performance in order to achieve organizational goals (Gomes, Yasin & Lisboa 2004; Mathis & Jackson, 2006; Dessler, 1992; & Siagian, 2007).

In addition, Greiner et. al. (as cited in Wholey, 1983) concluded that incentives are: (1). given a clear set of objectives and appropriate performance measures, monetary incentives for state and local government employees have produced significant improvements in efficiency and cost savings. (2) in the private sector, performance targeting (goal-setting) appears to have led to improved employee performance. (3) there is little evidence available on the effectiveness of performance targeting in the public sector. (4) standard "merit pay" systems are unlikely to achieve improvements in performance. (5) there is little evidence available on the effectiveness of target-based performance appraisals. (6) a number of job enrichment approaches have led to improvements in efficiency or effectiveness. Furthermore, Danim (2004), Nitisemito (1996), and Flippo (1984) stated that the incentive is given to motivate employees and a reward to the employees who have certain contributions to the achievement of organizational goals. Besides, Dvorin & Simmons (2000) has asserted that the theory of public interests which is based on human dignity is too important to be solved. It implies that to develop and to implement specific reward systems, organizational goals and interests of the workers are absolutely needed to be taken into account.

Moreover, Festre & Garrouste (2008) assumed that a now important literature has investigated and still investigates the relationships between motivation, incentives and effort. Even if there is still some reluctance to address this issue, there is an agreement on the fact that incentives are not always enhancing effort. Different explanations have been pointed out both in economics and psychology. There is however a less important but

fast growing literature concerning the links between motivation, incentives and effort in the public sector. From the explanations above, it can be concluded that incentive is a basic motivation to meet personal needs and for his own interest to make him do his best in the working place for the benefit of the organization. It is very important and appropriate to improve employee performance. Therefore, whatever the reasons and effort to change and to set the bureaucracy programs to improve employee performances seem to be useless unless incentive is given. In addition, Osborne and Gaebler (1993) stated that the command or order is sometimes necessary, but nowadays, employees are smart then giving incentives are often more effective especially when the command is no longer be enforced.

With the enactment of Law No. 32 of 2004, each of the autonomous regions is given greater opportunities to conduct its own domestic affairs in accordance with its potential and capacity. Each region should be creative and innovative in managing all the possibilities it has for the benefit of both local government and its society. To improve the employee performance regarding to internal bureaucratic changes, the local government of Gorontalo Province has apply TKD. It is given to state officials, civil servants and contract staff as a bonus based on the performance achieved. The amount of TKD can be bigger than the basic salary and structural allowances. It is based on the Home Affair Ministry Law No. 59 in 2007 which amended the previous Law No. 13 in 2006 concerning about financial management guidelines. In article 39, paragraph 1 in both Laws, it says that local government can provide additional income to the civil servants based on objective considerations with respect to fiscal capacity and obtaining consent in accordance with the provisions of Council Legislation.

This policy is very well welcomed among local government bureaucracy in general, and even be the examples (benchmarking) for other regions. However, there are still some problems appear, especially how TKD can improve the employee performance and how their performance will give impact to the success of local government. These problems are the internal problems of bureaucracy in Gorontalo province regarding to the application of TKD. Those problems are the main concern of this research which will be elaborated in the following explanation.

### **Research Method**

#### *Research Approach*

Qualitative approach is used in this research. Bogdan & Taylor (1975) defines the qualitative method is research procedure that produces descriptive data in the form of written or spoken words of the people and behavior observed. This approach is directed to the background and the individual holistically.

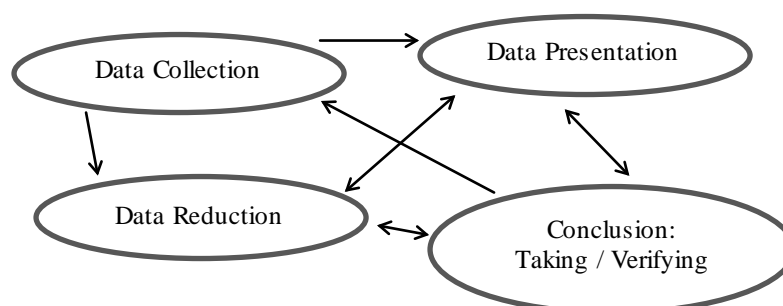
#### *Research Focus*

This research is focused on the impact of TKD towards (a) the improvement of employee performance, (b) the success of Gorontalo provincial government.

#### *Data Analysis Method*

Process of data analysis in this research is begun since the beginning of data collection up to the discovery of the theme. Data analysis technique used in this research is an interactive model analysis which consists of three components namely; data reduction, data presentation and conclusion proposed by Miles and Huberman (1994).

Figure 1. Interactive Model Analysis



Source: Miles and Huberman (1992).

#### *Data Validity*

According to Lincoln & Guba (1985) in qualitative research, a reality is pluralistic and dynamic, so there is no consistent and repeated. To get a high-quality research, data validity is needed. Level of data validity will be

determined by four factors, namely; (1). degree of confidence or credibility, (2). transferability, (3). dependency, and (4). certainty or conformability.

### Findings and Discussion

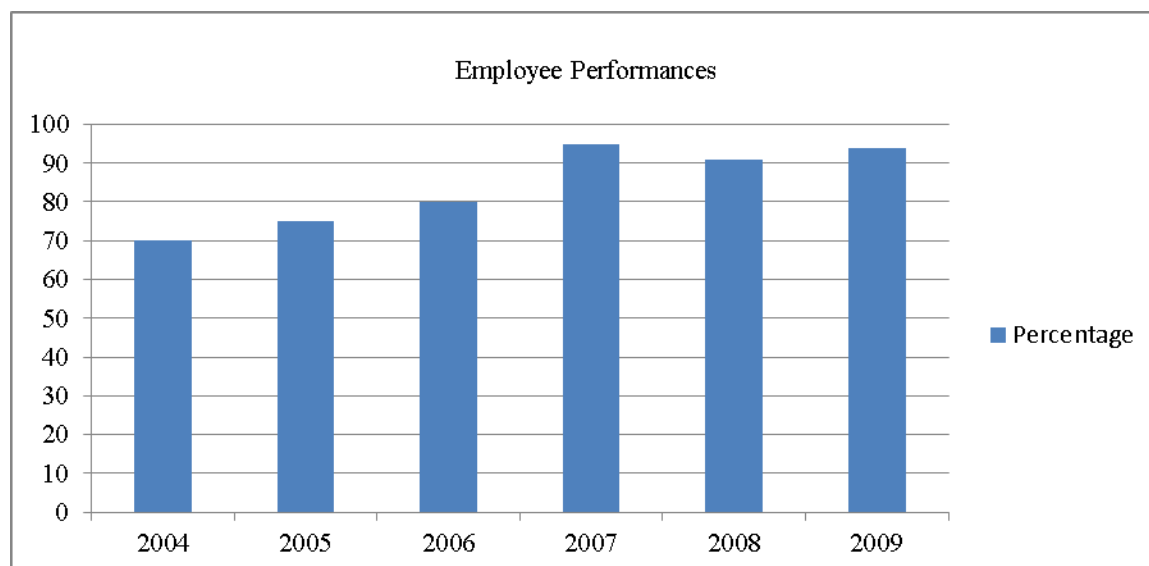
#### *The Impact of TKD in Improving Employee Performances*

There are two different impacts of TKD in improving employee performance. However, they are still interrelated, namely as an input and an output (the improvement of performances in term of labor productivity to achieve the expected outcomes). Giving TKD in the form of both reward and punishment to the employees shows significant improvement. Previously, the employee performance is less profitable for the organization but now it is improved by years. The achievement of performance based on the assessment system will be described as follows.

In the first year (2004), generally the impact of TKD has increased the employee discipline to 70 % in the average of number of employees who obey the employee discipline rules. Before the implementation of TKD, the percentage of employee discipline was only 57 % -60 % (data of Gorontalo Province, 2005). In the second year, the improvement was 0.5% (it reached 75%). The different between these two years implementation is that in 2004 the assessment was focused 100% on discipline while in 2005 it was focused 60% on discipline and 40% on the achievement of working performances or productivity. However, there was a big change in 2006 in which the performances achievement was raised into 60% and discipline was decreased into 40%. And the achievement of employee performances increased to 80%.

Besides, in 2007, the employee performance reached 95% but there was a slight decline in 2008 where it dropped to 91%. However, it increased to 94% in 2009 (data obtained from the Regional Board of Personnel Administrative Development of Gorontalo Province, known as BKPAD). Yet, this improvement is still lower 1% than the percentage in 2007 which reach the highest point. Paying attention to the data above, it does not mean that the employee's performance is begun to decline. It happened because employees' supervisor still confused about the scoring system of performance indicated by giving quite high score at the time without any support of accurate data. The data above is presented below.

Figure 2. The Employee Performance in 2004-2009



Source: BKPAD Gorontalo Province, 2007.

Paying attention to the above data, it can be concluded that the average achievement of employee performances during six years of the implementation of TKD reached 84.1% (excellent category). It implies that the employee performance is increased which also reflects the performance of local government. The influence of TKD towards the performance of employees in Gorontalo province gives a lot of benefits in terms of changes in behavior, attitude, morality and work motivation. In addition, Metawie & Gilman (2005) stated that in a relationship of high-level strategy to day-to-day actions occur when the company has employee reward program. The effect of reward in the form of incentives with employee daily activities are; 1. to make the

employees focus more on his strategic priorities work or core duties and functions, and 2. to create an extrinsic motivation to the employees when they reach the target or objectives of the organization.

Furthmore, Benjamin (2007) claimed that the sail of English Navy was successful in that moment during a century. This organization has a hierarchical incentives which given in different system from private sector in the similar category. To generate the efficiency of the Navy, this organization uses a hierarchy where the sailors compete to obtain the highest incentives through promotion based on performance. Besides, Heinrich & Marschke (2010) explored the evidence on how incentive and performance measurement systems can function in practice and demonstrate how individuals (employees) and organizations respond and adapt to the working environment at all times especially the adopting of practice of performance management system in public education programs and social welfare. They also described a dynamic framework for performance management systems which consider the strategic behavior of employees at any given time, studying the function of employee productivity and responsiveness, accountability roles, and to get information about the relationship of performance to the value of the incentive. Theoretically, it is found that the use of TKD in Gorontalo Province to enhance employee performances is similar to the above explanations though the approaches and case studies are varies yet they still used both interconnected instruments namely the incentive and performance.

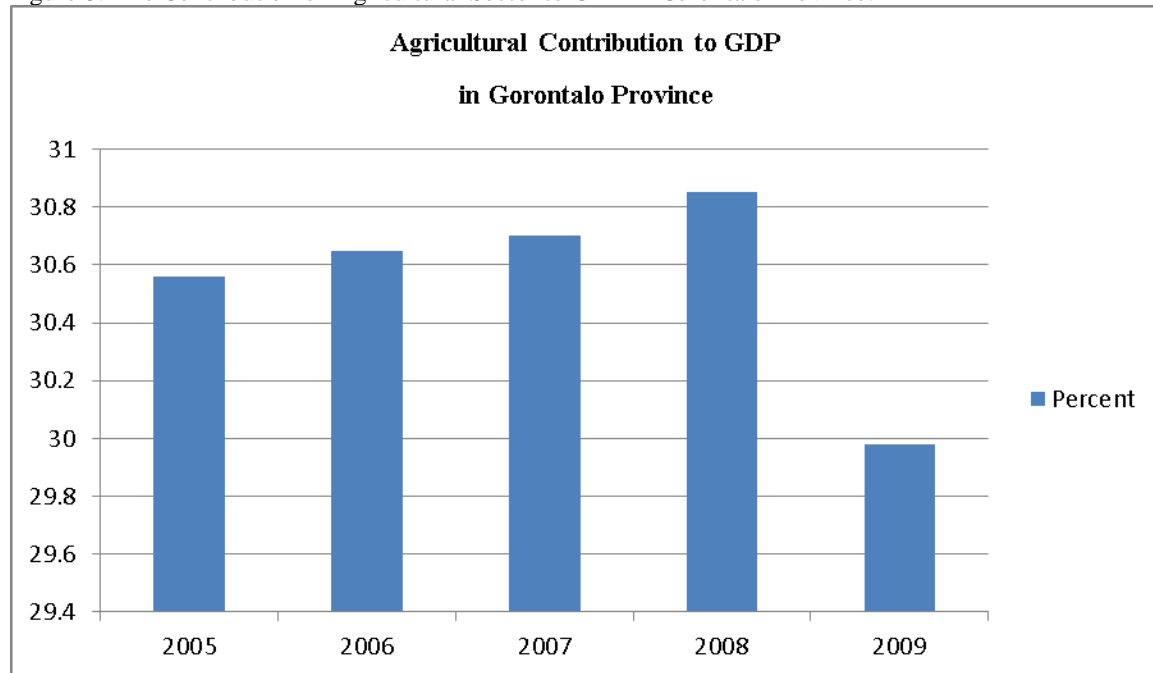
*The Impact of Employee Performance towards Local Government Success*

Generally, the employee performance will have some effects on the success of local government and vice versa. The success of government in Gorontalo province particularly in the field of economy, education and health from 2004 to 2009 will be presented below.

**Economic Development Performance**

The success in the economic is represented by agriculture and fisheries. These two sectors have the highest contribution to GDP in Gorontalo which absorb more labor workforce approximately 50.41% of the total population (LPPD, Gorontalo Province, 2009). It shows a significant percentage compared to other sectors during 2005-2009 as shown in figure below.

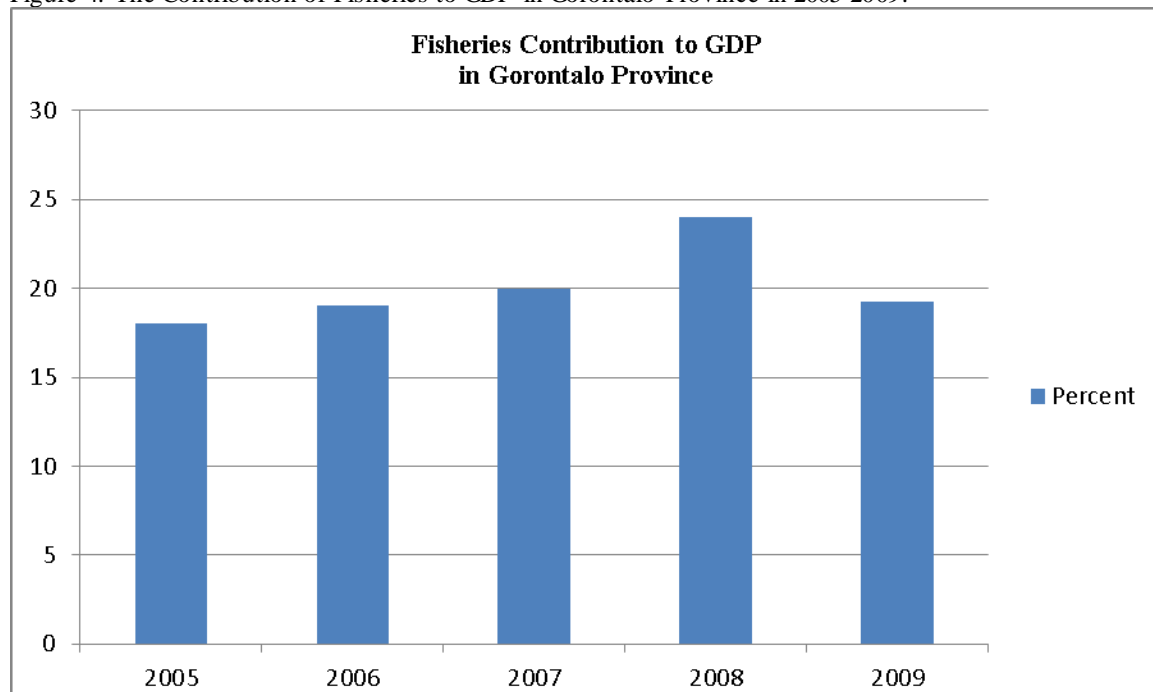
Figure 3. The Contribution of Agricultural Sector to GDP in Gorontalo Province.



Sources: BAPPEDA Gorontalo Province, 2009.

The figure shows that there was a slight increase of the percentage of contribution of the agricultural sector to GDP in Gorontalo Province from 2005 to 2008. However, there was a significant decline in 2009 due to drought. The annual average of agricultural contribution to GDP in this region during 2005-2009 was 30.35%. In addition, fisheries sector in Gorontalo is also growing very significantly. In 2000, the overall production of fisheries reached 20,712.40 tons but it raised to 43,286.60 tons or 109% which equivalent to Rp. 165,992,187,000 in 2004 (Muhammad, 2008). Thus, during five years, the annual average was almost 22% which can be seen in the figure below.

Figure 4. The Contribution of Fisheries to GDP in Gorontalo Province in 2005-2009.



Source BAPPEDA Prov, Gorontalo, 2010.

The figure describes that there was a slight incline of the percentage of fisheries sector contribution towards GDP of Gorontalo Province. In 2005, it was 18.02% and rose to 19.01% in 2006, and then continued to increase from 20% to 24.01% in 2007 and 2008 respectively before it decreased to 19.25% in 2009 due to high tidal waves experienced by the fishermen. However, during 5 years, the contribution of fisheries sector in Gorontalo province GDP was 20.06% in average which shows a significant contribution as well as other programs such as agriculture and human resource development to economic growth of this province.

#### Education Sector Development Performance

Education is an important aspect to improve the quality of Human Resources in this province. It is also increased in terms of gross enrollment rate (GER) and net enrollment rate (NER) of school-age children in Gorontalo. School age children who enrolled in both junior and senior high school over the past five years had shown a significant increase as shown in table below.

Tabel 1. GER and NER of School-Age Children Based on School Level in Gorontalo in 2005-2009

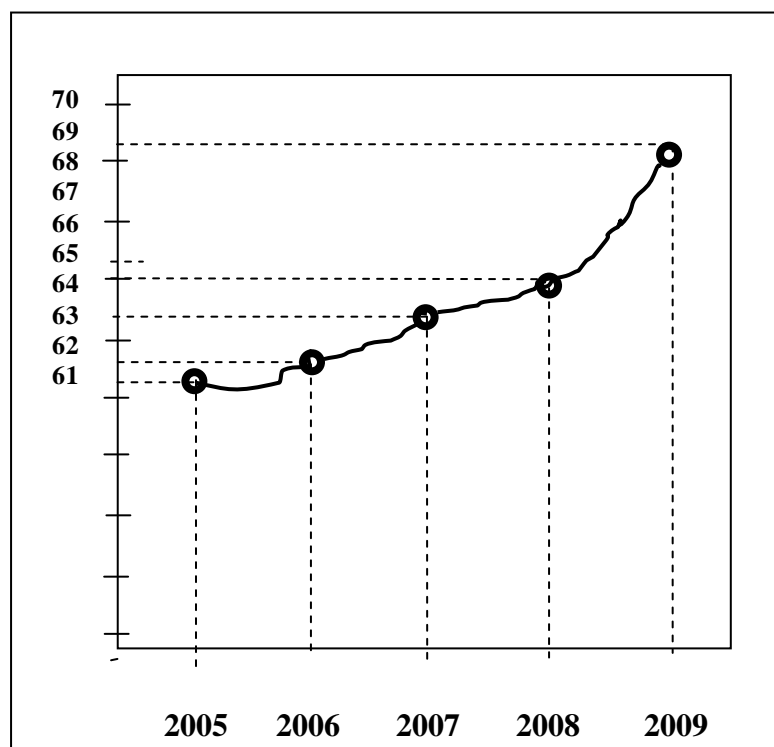
No	School Level	GER					NER				
		2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
1	Elementary School and Similar Level	104,98	120,49	113,79	113,80	119,90	87,51	92,35	95,63	96,63	98,35
2	Junior High School and Similar Level	62,98	73,00	85,13	91,13	95,15	48,4	54,34	60,88	65,90	71,90
3	Senior High School and Similar Level	40,56	43,91	55,98	65,98	75,99	25,35	28,79	39,55	43,57	50,55

Source: National Educational Office, Gorontalo Province, 2009.

### Health Sector Development Performance

The development of Human Resource in Gorontalo province covers two important points namely to improve the management capacity of government officials and to increase the quality of public health. The implementation of human resource development policies has positive impacts for the improvement of public health. One of the examples is that there was a significant decline in the rate of infant and maternal mortality. In 2002, the infant mortality rate still stood at 482 per 100,000 births, and then in 2004 it reduced to 325 per 100,000 births or a decrease of 32.57%. While in the next three years the infant mortality rate was reduced to 275 per 100,000 births or decreased by 15.38% and 250 per 100,000 births or a decrease of 9.09 % in 2006 and 2008 respectively. Besides, in 2009 it dropped to 200 per 100,000 births or decreased by 20 % (Health Service of Gorontalo Province). Similarly, the maternal mortality rate was decreased too. In 2008 it was 300 per 100,000 mothers giving birth and declined to 125 per 100,000 maternal in 2009. There was a decrease of 58.33%. This condition is followed by a rise in life expectancy of its people. In 2005 life expectancy was 65.4 years and it increased to 69.6 years in 2009. It means that there was an increase of age life expectancy about 4.2 years in average over a period of five years.

Figure 5. Life Expectancy of Population in Gorontalo Province in 2005-2009.



Source: Health Office of Gorontalo Province, 2009.

All of these achievements were appreciated and enjoyed by the people in Gorontalo province who got many advantages of this development. In addition, the awards were also given by the central government who assessed the progress of the performance of the government of Gorontalo Province. There are some awards that have been got which are presented below.

Table 2. Awards Gained by Gorontalo Province.

NO	Awards	Given By	Year
1	Lencana Adhi Bakti Tani Nelayan Utama (Award for Improving Farmer and Fisherman Prosperity)	President of Indonesia	2004
2	Anugerah Pengelolaan Pesisir (Coastal Award) (Award for the Success of Managing Marine and Seashore)	Marine and Fisheries Ministry	2004
3	Entrepreneur Agribusiness Award	Agribusiness Magazine	2004
4	Anugrah Satya Lencana Wira Karya Keluarga Berencana (Award for the Achievement of National Family Planning Program)	President of Indonesia	2005
5	Penghargaan Ketahanan Pangan (Award for the Achievement of Agriculture Sustainability in five years respectively)	President of Indonesia	2004 2008
6	Penghargaan Pendidikan (Award for the Achievement of GER and NER of School Age Children Enrollment in primary school)	Education and Culture Ministry	2008- 2009

Source : Document of Gorontalo Province, 2009.

The above success such as in economic, education and health indicate that the input process of the potential human resource owned by local governments influence the value of output. It means that TKD as an input has positive impacts on employee performance as an output. The achievement of employee performance has implications on the success of the organizational performance of local government in outlining all activities in the form of program development. The achievement of local government performance based on the three areas above is the ideal proxy of the local government performances as the standard to assess the Human Development Index (HDI) which is measured from success of the three areas, namely the economic, education, and health (Muhammad, 2008).

This achievement reflects the success of employee in implementing the organization's main task according to the provisions. Keban (2008) claims that individual performances mean someone has performed his main task to get the objectives set by the organization. Organizational performance is related to what extent an organization has implemented all core activities to achieve the organization's vision and mission. Furthermore, Pasolong (2008) stated that employee performance and organizational performance has a very close relationship. The achievement of organizational goals cannot be separated from the resources owned by an organization that is driven or run by employees. Therefore, performance achieved by the government of Gorontalo Province is clearly have a direct relevance to the role of the performance of individual or groups through a process designed and it allows the Gorontalo provincial government achieve its mission and objectives. This performance classification is similar to Swanson (1999) who divides it into three levels, namely the performance of organizational performance, process performance, and individual performance.

The success of Government of Gorontalo province based on three areas of program development above is a manifestation of the organization's performance in describing and doing activities / development program that has been established. Government performance is the performance of the organization or local government success. The achievement of success as a form of overall organizational effectiveness for specified needs of each individual / group regarding to the efforts through systemic and sustainable increase organizational capability.

## Conclusions and Suggestions

### Conclusions

The impact of TKD on employee productivity can be seen from employee behavior that shows progress and meaningful change in the tasks given to him. In Gorontalo province, the influence of TKD on employee

performance given many benefits in terms of changes to get good attitudes , behavior , mindset , mental , moral and motivation of employees in daily working activity to perform basic tasks given by the leader. The employee performance is improved significantly to 84.1% (excellent category) since TKD have been launched in 2004 through 2009. This achievement shows that the employee performance is improved which reflects the performance of local government.

The government's success which can be seen from the attainment of three program areas namely economics represented by agriculture, fisheries; education and health is a form of organizational performance in implementing the development program that has been established. Organizational performance is the effective, systemic and comprehensive program done individual/group regarding to the efforts to enhance the organization's ability to continuously achieve their needs effectively. This success is due to hard work, achievement and employee productivity as pioneer of development.

#### *Suggestions*

Due to some limitation, this research was done based on the NPM perspective. However, to get more detail and comprehensive understanding on the influence of TKD towards employee performances and other things, another further research can be conducted by focusing on Old Public Administration (OPA) and New Public Service (NPS) as well as other perspectives.

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