

Salary Supplementation in Indonesia: An Innovation-in-Progress in Gorontalo Province¹

Core Issue: *Incentive Mechanisms for Civil Service Reform*

The Story

The Provincial Government of Gorontalo Province in Indonesia has recently introduced a performance-based salary supplementation scheme known as *Tunjangan Kinerja Daerah* or “TKD”. This scheme looks to reward provincial government employees (both civil service staff and temporary employees), with a view to improving overall performance and results.

The TKD initiative replaced an earlier salary supplementation scheme that was incident exclusively on project staff, i.e. a portion of any project budget was awarded as a salary bonus to staff involved in the project. Consequently, the scheme was iniquitous as it favored project staff and senior managers.

Under the present scheme, project monies have been consolidated into common resource pools and almost all employees receive some amount to supplement their salaries. This has introduced greater equity into the scheme but is raising the government deficit quite significantly. Although a number of higher-ranking officials have indeed taken a cut in the size of their bonuses, they remain by and large supportive of the new program.

Despite these changes, a closer look at the TKD program reveals that there is room for further refinement. Currently staff members are evaluated principally on “compliance” criteria (attendance at work; discipline). Given this low benchmark, virtually all staff receive some form of salary supplementation and clearly making an appearance at work is more important than output of work.

In response to this, a new phase of the TKD initiative has been launched, by introducing a “40/60” system: where 40 per cent weight is accorded to compliance and 60 per cent to performance (innovation, efficiency, productivity). Developing robust indicators of performance within this 40/60 framework will be critical to the efficacy of the TKD initiative and if successfully implemented, the new system will make it more difficult for staff to claim a salary bonus through “compliance” alone. Expectations will therefore need to be managed accordingly to maintain support for the program among employees.

The story of performance-based incentives in Gorontalo is still unfolding; the TKD is an “innovation in progress”. From a starting point of project-based salary awards, the initiative is now more soundly designed to incentivize all provincial employees to improve their performance. Yet, further refinement of the program will be necessary if it is to move from “salary supplementation for all” to “salary supplementation for those who perform”.

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