

**The Management of Local Employment:
A Review on Human Resource Management
in Decentralization Era**

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Abstract

The implementation of decentralization and local autonomy in Indonesia is not yet answering local problems, among other the management of local employment. It is true that this management of local employment includes recruitment and selection, placement, employee development, and salary system which always fully loaded with political content and nepotism culture. Early goal of decentralization principle is stressed on local condition, and this goal can be recovered by returning to employment management strategy based on human resource management. This strategy involves effective planning which is suited to the demand and designed to answer to environmental changes. Competent employee can be obtained by preparing initial capital to improve the quality of local public service.

Introduction

This writing discusses about the situation when the organization undergoes the extraordinary awakening stage to understand the importance of human resource, decentralization policy, problems of human resource management in decentralization era, and strategy of human resource management based on decentralization.

Organizational transformation requires the member of organization to be more sensitive and proactive to more challenging social functions. It is important because organization must survive and be adaptive to the dynamic of community requirement, and also because the success of organization is only measured through the achievement of performance which is focused on the community as the customer (Wang & Lo, 2002).

Various interpersonal technologies, including interactive network, has developed in advanced way. Technology and communication allow people to engage actively with every side of human life. The driver of public sector, called as “bureaucracy”, needs to redesign itself to respond to the demand and expectation of community that start to change endlessly. To realize what is expected by community is a truly challenge for bureaucratic officer. This challenge can be dealt effectively if all networks of governmental bureaucracy officers are responsive and greatly interested toward self-improvement to solve internal management problems and to serve community demand (Farazmand, 2004).

Decentralization is the most appropriate policy to allow local government officers to develop their capacity and responsiveness to the community demand, and in turn, to increase the quality of public service. Therefore, governmental bureaucracy must respond global challenge appropriately (Craig & Douglas, 1996), such as by rethinking the philosophy of *how to govern*, reviewing administrative models and flexible management, and redesigning strong mission and vision with the support of rigorous leadership and respectable performed officer.

However, decentralization policy not only shows a positive aspect but also leaves behind its negative aspect of human resource management that must be discretion and responsibility of the local. Through this discretion, the local takes fast decision to deal with employment problem. However, it must be recalled that decentralization of employment may change toward a chance for power manipulation practices such as corruption, collusion, nepotism, money politic, lobbying, bribery or gratification. Besides, one risk for decentralization system and local autonomy is the possibility of full control by local elite (Bardhan and Mookherjee, 2002; Martinez-Vasquez and Nab, 1997; Prud’Homme, 1995; and Tanzi, 2000).

Result of survey by *Political and Economic Risk Consultancy* (PERC) in 2010 has put Indonesia as the most corrupt country among 16 Asia Pacific countries. At Southeast Asia, or ASEAN, level, Indonesia is the most corrupt country with the highest corruption score (8.32), followed by Thailand (7.11), Kamboja (7.25), Vietnam (7.11), Philippine (7.0), Malaysia and Singapore each by 1.07.

This condition is a base to search for the alternative to human resource management. It is indeed that the management of local officer human resource in decentralization era is very urgent to establish the commitment toward the thought and practice of human resource management. It is reasonable then to say that human resource management is a strategic instrument in dealing with the change and problems related to the performance of local government officers in responding community demand.

Important Role of Human Resource (HR)

Great interest starts to be given to important role played by human resource. Organizational experts, governmental practitioners, and privates begin to consider this role as their central point of discussion. **Barney and Griffin (1992; 447)** say that all individuals who interest toward the management and development of organization have agreed that effective and substantial human resource management (HRM) will influence the performance of lower line in the organization (*influences bottom-line performance*).

Environment has changed dramatically due to technological development and civilization advance. Organizations only choose one option, which is by developing HR as the most critical point to deal with the change. In this context, HR management in the organization is becoming a very serious issue that needs great attention.

Since 1930s, management experts attempt to find the most appropriate strategy to manage HR by identifying essential problems in organizational activity which influences organizational success. **Ashkenas, Ulrich, Jick and Kerr (1995)** have admitted that organizational success is influenced by four critical factors such as *size, role clarity, specialization* and *control*. Organization can achieve its success by merely relying on these factors. The greater the organizational size, the easier the organization to achieve success. Indeed, organizational success is directing HR dedication where each function of employee shall be defined clearly and the job must be specialized. Therefore, the management role to take control is a base to reach the success.

A conclusion is taken from four critical factors, which is that the organization tends to be bureaucratic-mechanistic. Successful organization is one underscoring the values of size, role clarity, specialization and control.

When the evolved time causes change, these four critical factors are transformed. **Ashkesnas et al** identify that organizational success is not influenced by size, role clarity, specialization and control. These critical factors have converted into:

- Speed
- Flexibility
- Integration
- Innovation

The faster and more appropriate the resolution of the problem, the greater possibility of the organization to meet every demand in different situation. To take fast decision making, the organization needs “flexible” HR, meaning that in flexible manner, organization also masters general or less specialized skill.

Organization also needs situation where all organizational units are integrated upon one destination point, and not easily fragmented. Integration is achieved if all employees are coordinated and moving in synergic manner. Meanwhile, to support speed, flexibility and integration, organization needs creativity which is supported by innovative ability of all HR.

The current day is the era when HR is the center of attention of any efforts to achieve the competence based on the standart. Innovation-creativity as the factor supporting the organizational success is only achieved if all HR in organization has competence.

In the context of competence achievement, the expert believes that HR management must be supported by appropriate HR training, education and development. **Sofo (1999)** asserts that HR development program must consider three goals, which are:

- Skills
- Knowledge
- Ability

These three goals are essential goals for each HR development program. It means that if a development program does not point toward the mastery of skills, knowledge and ability, it is then the “validity” of the program will be questionable. According to **Sofo**, skills, knowledge and ability are the fundamentals of competency. It is also meant that competent HR has at least skills, knowledge, and ability.

Decentralization Policy in Indonesia

A decentralization challenge is how to manage the delegation of discretion. This challenge, however, is still not yet changing bureaucracy implementation in Indonesia. Therefore, HR management must be effective and accountable morally to the citizens. Through their representatives in legislative, citizens can control, judge them, or even participate into legislation. In decentralization context, civil servant recruitment in the local requires transparency, accountability, and community engagement.

Decentralization and local autonomy policies in the developing countries, including Indonesia, are considered based on 3 (three) theories, which are (1) Political Decentralization, (2) Administrative Decentralization, and (3) Fiscal Decentralization (Litvack and Seddon, 1999; Shah, 1998). Political Decentralization can be defined as the mechanism where central government hands over its discretion to local government. The result of this discretionary extension is named as local autonomy.

Administrative decentralization is the delivery of administrative discretion from central government to local government. There are 3 (three) administrative decentralizations such as deconcentration, delegation and devolution. Deconcentration is a transfer of the responsibility of central government for some services to be the responsibility of local government. Delegation and devolution are related to the balancing of interest between central and local.

Fiscal decentralization represents the increasing of financial responsibility and ability of local government.

The goal of decentralization and local autonomy policies is to create a more democratic and transparent local government which improves its administrative capacity, self-support, and ability in fiscal management.

There are 2 (two) principles behind the delegation of the authority of central government to the local, which are deconcentration and decentralization. In the form of deconcentration, local government only implements the command from the central and also represents the central government. In decentralization, the discretion is delivered from central government to local government where local units are determined and given certain power in certain field such that local government can take judgment and initiative over itself (Muluk, 2009:11).

Decentralization is also the form of discretion transfer from central government to local government. There are 2 (two) discretions. First is *regulling* which is the discretion of regulating (*policy making*). This discretion is only limited to regent or governor. The policy they make is shaped in Local Regulation (Perda) and Governor Regulation (Pergub). Second is *bestuur*, which is the discretion of *policy executing*, where the policy made through *policy making* under the discretion of *regulling* is implemented. The form of *policy executing* is a decision (Muluk, 2009: 14).

In *bestuur*, there are so many doubts about who have discretion over a problem. Such situation is dealt by choosing the closest local to take the discretion (Sinjal, 2001). This base of thought is emerged because discretion can actually be detailed one by one. However, no yet any statutes are can predict the community problems that have developed very dynamically. If the discretion over problem is vacuumed, then the principle of *bestuur* is the way out. Hoessien (in Muluk, 2009) determines that *bestuur* is the discretion of a governmental officer to deal with the problem that has not been stated in existing statutes.

The implementation of decentralization and local autonomy policies in Indonesia shows two impacts, positive or negative. Besides giving positive impact in form of the improvement of information transparency, decentralization also brings along a chance to increase control dominance of local elites, which consequently produces less intact information (*asymmetric information*). This asymmetric

information, in turn, causes *institutional inefficiency*. Weaker supervision and *lack of enforcement* are crucial factors in the relationship between decentralization and local autonomy actors. The change of decentralization and local autonomy organizations is making unclear who is the giver of discretion (*principal*) and who is the receiver of discretion or the representative (*agent*). It may lead to less harmony between organizations or the presence of congestion (*bottleneck*) during good governance (Jaya, 2005).

Radical change in decentralization policy in Indonesia can be understood as the reconsideration of the experience of colonial government of Holland with Decentralization Act of 1903. Simple decentralization in the last colonial period is used as the base for Federal Republic in the Federal State of Indonesia at that time. After independence, Indonesia is rearranged into a united nation in form of Republic.

Centralized government reaches its peak under New Order regime which is triggering crisis in the relationship between central and local. Following the falling of New Order regime through political reformation in 1998, new statutes about decentralization and local autonomy policies are released 1999 (Jaya and Dick, 2001). These statutes stimulate many changes of power (*locus of power*) from executive to legislative, or from central government to district or town government. Other reality shown from the implementation of new statutes includes crisis between local head (executive) and legislative, and dispute between provincial government and district/city government. To deal with various crises, the government rolls over new policies among other Act No.32 of 2004 about Local Government Principles.

Many realities have indicated that decentralization and local autonomy policies in Indonesia have not yet complied with normative norm stated in the statutes. It is shown that a practice called "*abuse of power*" is commonly found among elites in local or legislative, executive, or community (including entrepreneurs). Zig-zag rule of game is so evident in various districts and towns. Therefore, HR management for local officer is indeed problematic.

Civil Servant Management

Nicholas Henry (2004, 555) identifies HR Management (HRM) activities as following: *recruiting* and *hiring*, *benefit* administration, wage administration, HR policy, positional classification, training and development, employee management, performance assessment, performance measurement, conflict mediation, *diversity management*, and collective *bargaining*. The goal of HRM activities is to achieve HR goal effectively through the ordered employment division.

First activity in HRM is recruiting the employee in objective and transparent manner. Henry says that recruiting the employee with high quality is the most important duty at all governmental sectors. However, in reality, the government is not serious, slow, or subjective, or even with cheating tendency in recruiting the candidate of civil servant. This condition is contrasted with recruitment pattern in private sector.

Second stage after the recruitment is *training*. Indeed, training program is designed to improve skills and aimed to improve employee productivity. However, said Henry, it is unfortunate that this program is not influencing yet US government and US Government, thus, is reluctant to use it in improving skills and productivity. Some states in US have responded this training program favorably, but so far, the analysis about the impact of this training remains uncertain.

After training, HRM activity in public sector is performance assessment. It seems that performance assessment in public sector employment represents one of the most complicated administrative activities compared to that in private sector. In this stage, the employment division does a judgment over whole bureaucrats to ensure whether they have taken training program or not. So far, the reliability and reputation of performance assessment in public sector are not well recognized because the assessor is considered as less transparent, working in confused performance standard, and with poor documentation. These factors are reasonable enough to make many employees unsatisfied with the result of performance assessment. The improvement of performance assessment is continually exerted by the employment division to produce *reliable* assessment which is then useful to guide the measurement of performance of each employee.

The expected results of performance assessment are as following: (1) it motivates employee to work better or to develop intensive communication between them and superior about the work, (2) the result of assessment can be used to determine bonus based on performance, and (3) the less competent employee is easily identified and then, the solution to manage such employee is proposed.

Next stage of HRM is Salary System (remuneration). The survey shows that salary in public sector is well considered (always increasing employee salary) and therefore, it stimulates people with required quality to apply for civil servant position. Therefore, salary structure in government needs to be improved to compete against the quality of salary structure in private sector.

Civil Servant Management in Decentralization Era

The realization of effective officer management may start from recruitment of the civil servant candidate. It is then followed by the selection of the candidate, which is indeed a central activity of HRM. Each organization always has certain method to attract and to select employee candidate. Effective recruitment and selection procedures are also the critical component for every HRM.

If recruitment and selection are effective already, it is then the organization will have the number of employee as required. The effectiveness of this activity, thus, is measured from the balance between the number of employee employed and the stock of job or position in the organization. This number of employed employee must be based on the qualification such that employees are indeed able to work based on standard.

Result of Survey from National Development Planning Agency (Bappenas = *Badan Perencanaan Pembangunan Nasional*) in 2009 has identified many stages and problems in employee management. These stages and problems in employee management are as following:

1. Formation

- a. The formation of employee and structural position is not yet determined based on clear standard.

- b. The different meaning between Act No.32/2004 about Local Government Principles and Act No.43/1999 about Employment Principles.

2. Recruitment

- a. The recruitment pattern is different from one region to others such that different filtration is so apparent. It is understandable then if the competence rate of the local government officer is not well balanced.
- b. The application of Government Regulation No.48/2005 about the appointment of honorary employees into Civil Servant at local government is not attending the competence of the employee.
- c. In the case of the extended localities, the recruitment for certain echelon position is difficult (especially for echelon III and IV).

3. Career Pattern

- a. There are positions filled with less matched experience and education background due to lack of HR. It makes the preparation of career guideline so difficult.
- b. Many employees do not have interest to take functional rank in local, although this rank is so developed, due to the complicated requirement and the promotion of functional rank based on job product/output of employee.

4. Promotion and Mutation

- a. Not all locals have promoted the employee based on the result of *assessment center* although the center is in cooperation with third party in keeping the objectivity of the outcome. Therefore, the promotion system is not yet functional as the trigger of employee performance.
- b. Employee mutation between locals/provinces is not easily conducted because it must involve the agreement of local government such that it can cause imbalance of employee competence because there is “parceling” for provincial employees or district/town employees.

5. Remuneration

- a. There is an asymmetry among localities for the benefits provided to echelon officers because it depends not only on government ceiling, but also the ability of the local to supply those benefits.
- b. There is a policy to distribute remuneration evenly to all officers at each SKPD as the effort to reduce asymmetry, but this policy is not acceptable because the provision of benefit may not be based on performance such that it can reduce work enthusiasm of employee.

6. Employee development and discipline

- a. Employee development standard to improve officer performance is problematic because many employees take a race against each other to continue their study at S1, S2 or even S3 programs. The education they take, however, is often not matched with main task and function (*tupoksi = tugas pokok dan fungsi*).
- b. There is *overlapping* in the training and development between central government and local government.
- c. Disciplines such as in morning ceremony and absenteeism are not yet effective.

All these six findings of employee management are developed further into 6 (six) problems related to local officer management, such as:

- (1) Bureaucracy neutrality;
- (2) Service quality;
- (3) Employee recruitment;
- (4) Salary system;
- (5) Career development;
- (6) Civil servant commission.

Bureaucracy neutrality is mattered due to the presence of political intervention over the rank position in the bureaucracy. Service quality matters due to inefficiency of public service provided by governmental officers because of the incapacity and incompetence of the officers. For employee recruitment, poor recruitment in local is so evident with the presence of KKN (corruption, collusion and nepotism),

divergence and other subjectivity. Salary payment faces a classic problem which is lack of competitiveness against salary payment in private sector. Moreover, employee career is not yet based on work achievement and other objective factors. The establishment of Civil Servant Commission is needed to relieve huge burden of National Employment Agency (BKN) such that BKN can focus on its main task in ordered and strategic manners to produce maximum work.

These findings are analyzed to seek out the base in arranging the alternative strategy for officer HRM in decentralization era. The analysis of HRM stage has found as following:

1. Local employment management is a part of national employment, and less restrictive sanction is given by regulations, such as The Decree of The Minister of Internal Affairs No.10/2003, Government Regulation No.9/2003, Act No.43/1999, and Government Regulation No.31/2001, about civil servant. Meanwhile, the implementation of employment management at local area is still influenced by bias and political substance.
2. The policy to appoint honorary employee at local into civil servant has been problematic. Although the appointment of this honorary employee is mapped already in each Local Employment Agency (BKD), it is not yet describing the demand of competence for the required rank in the local. In general, the tendency of honorary employee is that the employees initially fill into the rank based on kinship system, not based on the competence they have.
3. System and pattern of the career are prohibited from determining the formation of position. Some factors are influencing career rank such as political support, and the absence of precise and complete employment database to answer the demand for competence change for new or vacant position.
4. The development of the rank is prohibited by the complex and confused requirement and the lack of socialization from the government to the officer.

Based on the findings of this analysis, it is shown that HRM of the professional officer will always need a strategy change to allow local government to implement the task based on demand. Decentralization era has facilitated the local government

to arrange the supply of the competent officer, to prepare its own management plan, and to improve good government capacity in providing public service.

Civil Servant Management Strategy Based On Decentralization

Decentralization opens wide chance for every local to play greater stake in civil servant management. In this context, all decentralization challenges are only dealt with effectively if all aspects of local bureaucracy are responsive. The local must have strong interest to improve good bureaucracy capacity to deal with internal management problem (*governability*) to serve the demand of community.

The characteristic of public sector is different from private sector and therefore, it is difficult for all systems in private sector to be transformed into public sector. Certain part of system that can still be transformed into public sector is recruitment system of employee candidate. Normatively, recruitment system is based on professionalism, transparency and the analysis of employee demand based on competence.

System and procedure for the recruitment of civil servant candidate needs a change. This change starts from the formation process in the civil servant planning process. Anyway, civil servant planning is helpful to identify the demand of officer and it is empowered by competence standard and HR qualification that are ensured through the analysis of the rank. The number of demanded officer, therefore, can be determined based on the result of analysis of work load.

After planning, the next activity of HRM is recruitment and selection which must be objective and transparent. It is followed by employee placement/positioning based on competence, qualification and the suitability to the job. Based on performance assessment conducted after job positioning, salary system is formulated based on individual performance, and therefore, it is then called as *performance-based pay* (Long, 1998). Training is given based on analysis of training demand and this analysis is aimed to identify the gap between competence and job implementation standard (Tovey, 1997).

A strategy change pattern is offered to the management of officer, especially related to employee recruitment. This pattern involves:

1. The cooperation with higher education to organize employee recruitment. Higher education is not only functional as the exam maker or the judge, but also can be actively involved within the recruitment stages from filtering to hiring the employee candidate;
2. The cooperation with private (*agency*) in the recruitment process;
3. The establishment of nationally integrated employment management by giving greater discretion and role to local government to manage the employee during recruitment, positioning, and all decisions related to employment at local level, especially when other party is involved (point 1 and 2);
4. The policy that disadvantages the employee individually or collectively must be stopped, and professional warranty that involves *reward*, *punishment* and career opportunity, shall be ensured objectively.
5. The overlapping employment structure shall be reordered for every work unit in the local.

Besides management strategy change issues, other problems must be resolved, including those related with work culture such as following:

1. Primordialism, patronage-client, small kings, and tribute are some informal cultures which are strongly embedded (high embeddedness) as the behavioral mindset of the local officer in decentralization era. This culture creates high cost and has damaged decentralization values. Administrative process in Indonesia is influenced by Java traditional concept of power and hierarchy which emphasize on power centralization, patrimonial behavior, *primordialism*, *patronage-client*, and *top-down* decision making (Rohdewohld, 1995).
2. The elimination of the bounded rationality and the opportunistic behavior because these perspectives only produce values, attitudes and behaviors that are not aligned with decentralization significance. *Abuse of power*, in form of monopoly and poor accountability by few bad persons in local, is not suggested. Local bureaucracy must stay away from the culture that possibly builds personal contact or transactional relationship between

decentralization actors, opportunistic transaction, and illegal relationship either developed by the delinquent local head, the mischievous member of local representative, or the wicked law enforcement officer.

3. Mental model of decentralization and local autonomy actors shall be reconstructed such that bureaucratic behavior is no more just asking for service (*pangrehpraja*) but only striving to deliver the service (*pamongpraja*).
4. The attitude of leadership and its organizational role in each local must be improved such that there is no more the winner group and the loser group. The loser *incumbent* group will always maintain *status quo* and consider the intention of *revenge*. The loser group always attempts to blur rule of game of decentralization such that it will create economic transaction cost. It is worsened by *moral hazards* of some elites in decentralization era. Opportunistic behavior of some local elites has put employees judged subjectively based on group or family, and kept away from spirit of objectivity based on skill and competence.
5. The change of *mindset* of decentralization actors which can be influenced by the old habit.

Strategy change needs political commitment and willingness of central and local governments. It is achieved if legitimacy is given in form of the supporting policy made by the authorized parties. Community participation as the control over the implementation of local government, especially in relative with the recruitment of civil servant candidate, is also helpful to realize the transparency and accountability of the government.

Conclusion

In general, the implementation of decentralization is not aligned with the expectation. The problems of local government during decentralization era include some issues of bureaucracy neutrality, service quality, employee recruitment, salary system, and career development, and the role of civil servant commission. The recruitment of local civil servant candidates has been problematic with the subjectivity such that civil servant selection process is difficult to produce competent civil servant. It may

need a change of strategy to implement favorable employee recruitment and also need a change of organizational *mindset* and culture which must be oriented toward the improvement of public service quality.

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