

# The Role of Remuneration in Improving the Quality of Public Services in Indonesia

**Kurhayadi**

Sekolah Tinggi Ilmu Administrasi Bandung, Indonesia

Email: [kurhayadi@stiabandung.ac.id](mailto:kurhayadi@stiabandung.ac.id)

## Abstract

To improve the quality of social life in the community, it is necessary to have good public services. Therefore, if the existing public services are of poor quality, the public's trust in the bureaucracy will be even worse. Good public services can be provided if government employees who work in public services work well. This study then aims to see how the role of remuneration on the quality of public services that occur in Indonesia. This research will be carried out using a qualitative approach the method. The results of this study found that the provision of commensurate remuneration can improve the quality of public services. This is because the provision of remuneration will create commitment for employees in carrying out their duties properly, so that the public services that can be provided also have good quality. This will then create good governance and clean government.

**Keywords:** *Public Service, Remuneration, Service Quality.*

## A. INTRODUCTION

Today people's lives experience many changes due to the progress made in the previous development process and the rapid progress in science and technology. The change that can be felt today is a change in the community's mindset towards a more critical direction where they will increasingly understand their rights and obligations as citizens. Such conditions of society require a government that can meet the various demands of their needs in all aspects of their lives, especially in getting the best service from the government (Cosgrove & Loucks, 2015). Public service is essential in improving the quality of social life in any society. Ideally, the main objective of the government is. The poor quality of public services creates a crisis of trust in the community toward the public bureaucracy. The rise of different rallies and demonstrations against the bureaucracy at the central and provincial levels demonstrates the crisis of confidence. The supply of services that meet the established criteria must be observed (Smoke, 2015).

Through the Minister for Empowerment of State Apparatus, the government acknowledges that the public continues to believe that procedures and service mechanisms are convoluted, non-transparent, less informative, less accommodating, and less consistent; therefore, they do not guarantee legal certainty, time, and costs. People nearly never comprehend and adhere to the government's basic service

procedures for the services they should obtain. Ardin said that the quality of service to the community during the reformation period was felt to be decreasing and worsening, marked by the time it took to process and unexpectedly high costs (Sobel, 2017). Even more concerning, service providers to the public in several government agencies openly and shamelessly ask for specific ludicrous amounts of money. This reality is the result of the monopolization of public goods by the government, particularly by local government agencies, with essentially no competition. Cases of corruption in public services have become a daily practice in Indonesia and have even become institutionalized, involving all relevant parties who keep each other's secrets and protect each other (Alom, 2018).

To overcome this problem of poor public services, it is necessary to reform the bureaucracy to improve the quality of government services to the community. Because service is the most fundamental responsibility of the apparatus as a servant of the state and society. This is stated in the first sentence of the fourth paragraph of the 1945 Constitution, which outlines four aspects of the apparatus' primary service to the community: protecting the entire Indonesian nation and the entire Indonesian homeland, promoting public welfare, educating the nation's life, and implementing a world order based on freedom, eternal peace, and social justice (Irawan & Faturahman, 2019). In addition, it is clarified in Ministerial Decree No. 63 of 2003, which outlines the fundamental implementation standards for public services. As a result of the fact that service as the process of meeting needs through the direct actions of others is a concept that is always applicable in various institutional contexts. Not only inside business enterprises, but also within the organizational structure of the government (Susanto, 2020).

Public service reform is a prime mover considered strategic to start reforming governance practices. This is said so because efforts to realize the values that have characterized good governance practices in public services can be made more accurate and more manageable. At least three indicators must be met in public services: responsiveness, responsibility, and accountability. In line with this, Fitriati added that the concept of quality is a measure of organizational success in business organizations and government organizations or institutions as public service providers. Because quality is an essential discussion in service delivery, the government must always conduct surveys regarding the wishes and assessments of the community for the services provided (Weiss, 2020). Service quality affects the community's value, satisfaction, and loyalty. The state and the government system are the basis for citizens' services in gaining protections for their rights; consequently, it will be required to improve the quality of services. The quality of public services is determined by the interplay of three factors: the service system developed by the service provider organization, the human resources of the service provider, the service strategy, and the customer or service user (Santa et al., 2019).

Concerning this study, several previous researchers noted that there was a very close relationship between compensation/remuneration and service quality. Research conducted by Permana in three cities of Yogyakarta, Depok, and Tangerang found

that one of the causes that affect service quality is the remuneration factor received by employees. Then, Radjagukguk examined the effect of the modernization program of the Jakarta Gambir Empat Pratama Tax Office in the form of (1) giving gifts to tax officials; (2) speed of service; (3) friendly attitude and manners; (4) the ability and mastery of regulations, and the appearance of service rooms that are getting better and neater the quality of service for taxpayers after being implemented (Ababneh, 2017). This study concludes that the compensation system influences service quality. Other studies also conclude that there is an effect of the remuneration system with payroll on service quality. A similar study was also conducted by Sancoko, which stated that remuneration affected the quality of public services. These studies prove the effect of compensation remuneration on the quality of public services.

## **B. LITERATURE REVIEW**

### **1. Remuneration**

According to Surya, remuneration is something that employees receive in return for their contributions to the organization they work for. Remuneration includes all rewards in the form of money or goods, both routine and non-routine, either directly or indirectly. Direct rewards, such as salary/money, position allowances, special allowances, bonuses, and various types of assistance, are provided regularly. Indirect compensation includes facilities, health, pension funds, and disaster compensation (Ford et al., 2015).

In addition, Milkovich and Newman claim that remuneration encompasses all forms of profit, both financial (transactional) and nonfinancial (relational). Remuneration is a tool for achieving the organization's vision and mission because it aims to attract skilled and experienced employees, retain quality employees, motivate employees to work more effectively, motivate the formation of positive behavior, and make a tool to control expenses, all of which are factors that can contribute to the organization's vision and mission being realized (Baledi & Saed, 2017). Surya added that the basic principles of an effective remuneration system include individual equity or individual justice, meaning that what employees receive must be equivalent to what employees give to the organization. Internal equity or internal justice in the sense that there is justice between the weight of effort and the incentives received, and external equity or external justice in the sense that the benefits obtained by employees in their organization are fair compared to other organizations that have equality (Salau et al., 2020).

The compensation system is a delicate matter that is difficult to implement. Errors in determining compensation policies can result in discord among members who feel disadvantaged. Therefore, determining a good remuneration system requires a good analysis by the organization's management. Another terminology of remuneration is compensation. According to Flipo, this function (compensation) is the proper and fair remuneration of workers for their contributions to corporate goals. Employee compensation can be used for two primary purposes: (1) to attract and

retain qualified personnel in the organization and (2) to motivate this personnel to higher levels of performance (Li & Koedel, 2017).

This compensation function is defined as adequate and equitable remuneration obtained by each employee for their contribution to organizational goals. Employee remuneration is used for two primary purposes: to attract and retain qualified employees in the organization and to motivate these employees to higher levels of performance. Rivai added that the formation of a compensation philosophy should be based on the desire to reward people for their rights and good performance. In other words, the company must understand that what is done is rewarded with the hope that the compensation will be able to increase the company's performance capacity (Olafsen et al., 2015). Sofyandi stated that compensation is a cost that the company must incur in the hope that the company will receive a reward in the form of work performance from its employees. In this case, of course, it is expected that the work performance given by the employee is worth more than the compensation issued by the company. Mangkuprawira expresses a similar understanding that compensation is something that employees receive in exchange for their service contribution to the company. If managed properly, it can assist the company in obtaining, maintaining, and maintaining optimally qualified employees in achieving company goals (Bagis et al., 2020).

In line with the theories above, Werther and Davis said that compensation is what workers receive in return/exchange for the contributions they make to the organization. Mondy and Noe said compensation refers to every type of reward individuals receive for their labor. Consistent with Mondy & Noe, Milkovich & Newman define compensation as all forms of money returns, tangible services, and benefits received by employees as a result of their employment (Gonzalez et al., 2016). Meanwhile, according to Mondy and Noe, the dimensions of compensation consist of financial and non-financial. The financial dimension is the reward received by individuals for the energy given, consisting of direct financial and indirect financial. The non-financial dimension is the satisfaction received from the job itself or a supportive atmosphere (Ziolo et al., 2019).

Based on some of the experts' opinions stated above, the concept of remuneration referred to in this study is taken from Ruky's opinion, indicating that compensation or remuneration encompasses more than wages or salary. This comprises all expenses incurred by the organization for its employees and received and enjoyed directly, frequently, or indirectly (eventually) by the personnel (Udayana, 2015).

## **2. Public Service**

Public services are activities performed by a person or group of persons using material factors using certain systems, procedures, and methods to fulfill the rights and interests of others. According to Kotler, a service is any act or performance that one person can provide to another that is mostly intangible and does not result in the

acquisition of anything. Its manufacture may or may not be linked to tangible goods (Dangelico & Vocalelli, 2017).

According to this definition, service is an appearance performance that is intangible and easily lost; more can be felt than possessed; and customers can participate more actively in the process of consuming services or services. Thus, the essence of public service is providing superior service to the community, which embodies the duties of government personnel as public servants. Concerning service quality, Gronroos defines service as an activity or series of activities where there is interaction with a person or machine physically and the provision of customer satisfaction (White et al., 2019).

Not only in business organizations, but also in government organizations or institutions that provide public services, the concept of quality is a measure of organizational success. Several experts explain this concept in a mutually reinforcing sense according to the perspective used to determine the characteristics of specific services. In addition, the measure of service quality is determined by many intangible factors and has many psychological aspects that are complicated to measure. Ideal service quality measurement is conducted on two interrelated aspects in the service process: the evaluation of customer satisfaction, the dimensions of service users/customers (service users), and the evaluation of service providers. Zeithaml identifies five characteristics of service quality: tangible, dependability, responsiveness, assurance, and empathy (Lapuente & Van de Walle, 2020).

The essence of public service, as exemplified by government employees as public servants, is the providing of great service to the community, as evidenced by the definitions provided above. This is in line with the main functions of local government, according to John Sewart and Michael Clarke, namely the function of community services which consist of environmental services, personal services, Development implementation functions, and protection functions (Pee & Kankanhalli, 2016).

In this regard, Sketcher mentions seven principles in service to the community, namely Standard, namely the existence of explicit clarity regarding the level of service in it, including employees in serving the community; Openness, which explains how community services are carried out, how much it costs and whether a service is following the specified standards; Information, which is comprehensive and easy to understand information about a service; Choice, namely providing consultation and choice to the community as long as necessary; Non-discrimination, namely services provided without discrimination of race and gender; Accessibility, the provision of services must be able to please customers or provide satisfaction to customers; Redress, the existence of a good publication system and easy complaint submission procedures (Fay, 2018).

Success in implementing the principle of the nature of quality services is very dependent on the public service process that is carried out. The public service process involves both the bureaucracy (servants) and the community (which is served). To evaluate the quality of public services, it is necessary to investigate and study two

primary factors: the internal processes of the organization (servants) and the exterior features of the organization, namely the advantages perceived by the customer community. In addition, the quality of public services is determined by the interaction of three factors: the service system developed by the service provider organization, the human resources of the service provider, the service strategy, and the customer or service user (Savira & Tasrin, 2018). These three factors are interdependent, interact with one another, and are held together by a customer-focused organizational culture. IAN also defines public services as all forms of public service activities carried out by Government Agencies at the Center and in the Regions within BUMN, BUMD in the form of goods and services, both in the context of meeting the needs of the community and implementing the provisions of the legislation (Felipe et al., 2017).

### **C. METHOD**

This study employs qualitative data extracted from scholarly journals. The secondary data were gathered from earlier studies in order to analyze the notion and develop a new research model concerning the relationship between compensation and the quality of public services. The data that has been collected will be processed by researchers so that later the results of this research can be found.

### **D. RESULT AND DISCUSSION**

#### **1. Remuneration Role**

Provision of employee remuneration is one of the implementations of the human resource management function related to awarding employees in carrying out organizational tasks. Thus, the remuneration is expected to affect employee job satisfaction positively, namely, the higher the remuneration, the higher the level of employee job satisfaction. A higher level of satisfaction is expected to increase employee motivation to provide excellent service to the public. Remuneration plays an essential role in building employee performance so that they continue to work optimally, which will impact the services provided to the community. Samsudin believes that the role of the provision of remuneration includes:

- a. Fulfillment of economic needs; Employees receive compensation in salaries, wages, or other forms for their economic needs.
- b. The provision of better compensation will encourage employees to work more productively.
- c. Promote the organization or company; The higher the remuneration given to employees, it is expected to build high performance from its employees to advance the company.
- d. Demonstrate balance and fairness; this is expected to create a balance between "input" and "output".

In addition, Hasibuan added that the roles of remuneration include:

- a. Cooperation Bonds; By providing remuneration, cooperation is established between superiors and employees where employees must carry out their duties

well while superiors are required to pay remuneration per the agreed agreement.

- b. Job satisfaction; With remuneration, employees can meet physical, status, social, and egoistic needs to get job satisfaction from their positions.
- c. Procurement of more effective human resources; If the compensation program is set to be large enough, it will be easier to recruit qualified employees.
- d. Motivation; If the remuneration is fair, appropriate, and large enough, the manager will find it easier to motivate his subordinates.
- e. Employee Stability; With a remuneration program based on fair and proper principles guarantees employee stability because turnover is relatively small.
- f. Discipline; By providing a large amount of remuneration, employee discipline will be better so that the level of employee compliance with applicable regulations is higher.
- g. The influence of trade unions; With a good remuneration program, the influence of trade unions can be avoided, and employees will be competent in their work.
- h. Government influence; With a remuneration program following applicable labor laws, government intervention can be avoided.

In line with this, Mangkuprawira explained the objectives of an effective remuneration system, including:

- a. Acquire qualified personnel.
- b. Retaining employees, namely productive employees, so as not to move to other companies.
- c. Ensure internal and external justice for HR
- d. Reward the desired behavior and act as an incentive for improvement.
- e. Control costs.
- f. Follow the law and ensure the fulfillment of employee needs.

From the whole explanation above, the role of remuneration aims to create work discipline for employees, form service-oriented behavior, and reduce KKN.

## **2. Quality of Public Service**

Public services have an essential role in economic and political life. Public services are also the most critical element in improving the quality of social life in any society. Ardin assessed that the quality of service to the community during the reformation was felt to be decreasing and worsening, marked by the length of time it took to administer and the higher the cost of stealth. Cases of corruption in public services have become a daily practice in Indonesia and have even become institutionalized, involving all relevant parties who keep each other's secrets and protect each other. To overcome the problem of poor public services, it is urgent to reform the bureaucracy to improve the quality of government services to the community.

Quality has several definitions according to experts, such as Tjiptono defines quality as "a dynamic condition associated with products, services, people, processes,

and the environment that meet or exceed expectations". In contrast, Triguno defines quality as "standards that must be met by a person/group/institution/organization with regard to the quality of human resources, working methods, procedures, and work outputs or products in the form of goods and services." Internally and externally, quality is defined as the optimal satisfaction of customer/society demands/needs.

Quality relates to the best service, attitude, or manner in which personnel serve clients or the community to their satisfaction. In this context, Tjiptono defines service quality as the expected degree of excellence and the control over that level of excellence in order to satisfy client needs. This indicates if the service or product obtained meets or exceeds expectations. The perceived quality of the service or service is acceptable and satisfactory, preferably when the service or service received falls below expectations. The perceived quality of the service or service would be poor.

Not only in business organizations, but also in government organizations or institutions that provide public services, the concept of quality is a measure of organizational success. The government must always conduct surveys regarding the wishes and assessments of the community for the services provided. The state and government system are the cornerstone of services for residents in getting protections for their rights; consequently, it will be important to improve the quality of service. Numerous intangible, psychologically complex, and difficult-to-measure components impact the service quality metric. Ideal service quality measurement is conducted on two interrelated aspects in the service process: the evaluation of customer satisfaction, the dimensions of service users/customers (service users), and the evaluation of service providers.

In line with this, Parasuraman mentions five dimensions of service quality, namely: Tangible, including physical facilities, equipment, employees, and means of communication; Reliability, namely the ability to provide the promised service promptly, accurately, and satisfactorily; Responsiveness, namely the desire of staff to help customers and provide responsive service; Assurance, including knowledge, ability, from danger, risk or doubt; and Empathy, which includes ease in making relationships, good communication, personal attention, and understanding the needs of customers.

Based on the explanation above, Moenir said that several factors support the proper operation of a service, namely: (1) the awareness factor of officials and officers working in public services; (2) Regulatory factors that form the basis of service work; (3) organizational factors which are tools and systems that enable the service activity mechanism to run; (4) organizational factors which are tools and systems that enable the operation of the service activity mechanism; (5) Officer skill factor; (6) Facilities factor in carrying out service tasks. These six factors have different roles but influence each other and together will realize the optimal implementation of services in the form of verbal services, written services, or services in the form of movements/actions with or without writing.

### **3. The Role of Remuneration on the Quality of Public Services**

Remuneration has a vital role in the quality of public services. Many previous researchers explained a very close relationship between remuneration and the quality of services provided by human resources. Radjagukguk's research states that the compensation/remuneration system influences service quality. Zalbani & Sanusi also concluded that the remuneration system's effect on payroll affects service quality. The role of remuneration here is more aimed at creating work discipline for employees, forming service-oriented behavior, and reducing KKN to improve the quality of public services in the community.

Samsudin added that providing better compensation would encourage employees to work more productively. This means that fair and appropriate remuneration for employees will encourage them to work better. Of course, they will provide excellent customer service, in this case, to the community. In addition, remuneration plays a role as one essential means of shaping behavior, which is very influential on employee performance. The higher the remuneration given by the company, the higher the performance issued by employees so that this will impact the high quality of service to the public with this effective remuneration system.

### **E. CONCLUSION**

This study found a relationship between remuneration and the quality of public services. Where the quality of public services can be achieved by providing adequate remuneration for employees due to their work contributes to the company/institution. This study summarizes the importance of remuneration in improving the quality of public services, which is the most critical element in improving the quality of social life in the community. Employees are expected to be committed to carrying out their work following their primary duties and functions because the purpose of the remuneration received is sufficient and following the workload, and later this will create enthusiasm for employees to provide optimal services to the community so that a clean government and good governance will be realized. The provision of remuneration is included in the award factor, where employees with exemplary achievements need to be rewarded and their achievements recognized. They are given fair and proper remuneration following their work performance, which will encourage them to improve the quality of their work and make a significant contribution to the agency/organization and the customers they serve.

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