

IMPLEMENTATION OF PERFORMANCE ALLOWANCE COMPENSATION IN THE INDONESIAN NATIONAL POLICE

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ABSTRACT

This study examines the implementation of performance allowance compensation within the Kepolisian Negara Republik Indonesia as an instrument to enhance employee motivation and organizational performance. Performance allowances are regulated under Peraturan Presiden Nomor 103 Tahun 2018 and Peraturan Kepala Kepolisian Nomor 7 Tahun 2020, which mandate monthly, performance-based assessments tied to job class and allowance indices. A qualitative design with a library research approach was employed, drawing on books, scholarly articles, official regulations, and institutional documents. The analysis focuses on the procedural mechanisms, assessment criteria, and practical implementation of performance allowances. Findings indicate that, although the regulatory framework systematically links allowances to job grading and performance evaluation systems, implementation in practice remains heavily oriented toward administrative indicators, particularly attendance, rather than measurable daily productivity and work achievements. The study reveals a misalignment between the policy's intended performance-based incentives and its operational execution. High-performing personnel often receive the same compensation as less productive employees, weakening the motivational impact of the allowance system. This study contributes to human resource management literature by highlighting the need to redesign performance assessment mechanisms to better integrate productivity indicators, thereby ensuring that performance allowances function as effective, equity-based motivational instruments in public sector organizations.

Keywords: *Compensation, Performance Allowances, Indonesian National Police*

INTRODUCTION

Over the past few decades, human resource management practices in the public sector have been significantly influenced by experiences and policies from various countries. With the increasing need to enhance efficiency, professionalism, and accountability among government employees, many countries have started implementing more structured compensation systems, including performance-based allowances. Across different countries, performance-based allowances have become a common practice in the public sector to improve employee motivation, organizational performance, and accountability in public service delivery. Many countries adopt this system to encourage employees to work more efficiently and professionally. Nevertheless, its implementation often faces challenges, such as unclear performance indicators, unequal distribution, and limitations in aligning with organizational objectives, which affect the effectiveness of the compensation system and employee motivation.

In Indonesia, the Indonesian National Police (Polri) plays a strategic role in maintaining security, enforcing the law, and providing

protection and services to the community, as regulated in Perkap No. 2 of 2002. To enhance personnel performance, the government has established performance allowances in addition to base salaries. This policy has been positively received by members as it serves as an incentive to perform better and more professionally. However, the implementation of these allowances still faces challenges, including budget constraints, administrative inefficiencies, corruption cases within the institution, and the inability of the performance appraisal system to adequately recognize individual expertise (Munte, 2016).

The development of compensation practices in the Indonesian Police has gone through several phases and changes, in line with social, economic, and political developments in Indonesia. This development has been directed toward several main objectives:

1. Improved Welfare:

Along with economic growth and awareness of the importance of improving the welfare of police officers, the Indonesian government has increased salaries and allowances for police personnel. This aims to increase their

purchasing power and reduce the risk of corruption.

2. Policy Reform:

A number of policy reforms have been undertaken to improve the police compensation system. These reforms include transparency in budget allocation, elimination of corrupt practices related to allowances, and increased efficiency in financial administration.

3. Development of Performance Based Compensation System:

There is an effort to develop a performance-based compensation system in the Indonesian Police. This system allows recognition and rewards for police officers who demonstrate good performance in carrying out their duties.

4. Additional Benefits Enhancement:

In addition to the basic salary, the government has also increased additional benefits such as health insurance, pension funds, and special incentives for personnel serving in difficult or high-risk areas.

5. Training and Education Enhancement:

Investment in training and education has been an integral part of efforts to improve compensation in the police force. Personnel with higher qualifications and skills often receive better compensation.

6. Collaboration with International Organizations:

The Indonesian police have collaborated with international organizations, such as Interpol or UNODC, to study best practices in compensation management and improve their internal systems.

7. Improved Family Welfare:

The government has also paid attention to the welfare of police members' families, including social and educational support programs for their families.

Despite these ongoing efforts, challenges such as limited budgets and corruption cases persist. Nevertheless, Polri continues to improve the compensation system to ensure the welfare and motivation of its members in carrying out their duties effectively and professionally.

This gap highlights the need for systematic research on the effectiveness of performance allowances in Polri. Previous studies have shown that remuneration often fails to differentiate members based on specific skills or contributions, resulting in uniform allowances even when performance and expertise vary. This issue hinders organizational objectives, member motivation, and optimal police performance.

This study aims to examine the effectiveness of performance allowances in enhancing the motivation and performance of Polri members, as well as their impact on achieving organizational goals. Specifically, the study will investigate members' perceptions of the performance allowance system, challenges in its implementation, and factors that can improve fairness and compensation effectiveness. The findings are expected to contribute academically to the public sector compensation literature and provide practical recommendations for policymakers to optimize the performance allowance system in Polri.

LITERATURE REVIEW

Compensation

Barry Gerhart (2020) explains that Compensation is any form of payment in financial form and any form of service obtained in the form of employee participation. Milkovich & Newmann (2011) in their book "Compensation" explains that Compensation is one of the most powerful tools an organization has to influence their employees. In today's world, compensation management is one of the most complex and dynamic issues in the field of human resource management (Bamigbaiye-Elatuyi et al., 2024). Effective compensation management is not just about paying employees; it is a strategic tool for achieving organizational excellence (Govindappa & Munivenkatappa, 2022). Compensation management is often referred to as salary and wage administration, where organizations can be competitive if they update their compensation package according to market conditions (Thoti, 2022). If managed properly, it can play a major role in organizations successfully implementing their strategies through their employees.

Barry Gerhart provides insight into how organizations can design and manage effective compensation systems to support business goals and motivate employees. Gerhart's concept of compensation is as follows:

1. Internal and External Balance : Gerhart argues for the importance of achieving internal and external balance in compensation systems. Internal balance refers to the relative consistency and fairness of compensation provided to individuals within an organization, while external balance relates to how compensation in the organization compares with compensation practices in the broader labor market.
2. Compensation Strategy : Gerhart highlights the importance of a compensation strategy

that is linked to the organization's goals. The compensation strategy should be aligned with the organization's business strategy, enabling the organization to attract, retain, and motivate employees who are aligned with its business needs and goals.

3. **Compensation Components** : Gerhart divides compensation components into two main categories: monetary compensation (such as salary, bonuses, and benefits) and non-monetary compensation (such as time flexibility, career development, and work-life balance). According to him, both types of compensation need to be considered in designing an effective compensation system.
4. **Equity Theory in Compensation** : Gerhart also analyzes the concept of equity in the context of compensation. According to him, compensation equity is a key element in maintaining employee satisfaction and motivation. Employees tend to compare their compensation with others in the organization

and with general industry practices, and feelings of inequity can lead to dissatisfaction and conflict.

5. **Performance Appraisal** : Gerhart emphasizes the importance of proper performance appraisal in determining compensation. A good performance appraisal system should be objective, consistent, and consider employee accomplishments in achieving organizational goals.
6. **Impact of Technology** : Gerhart also acknowledged that advances in information technology have impacted the way organizations design and manage compensation systems. Technology can be used to increase transparency, accountability, and flexibility in compensation management.

Milkovich & Newmann (2011) also explained that there are four steps in compiling and determining the total compensation implementation strategy in an organization, as illustrated in the following image:

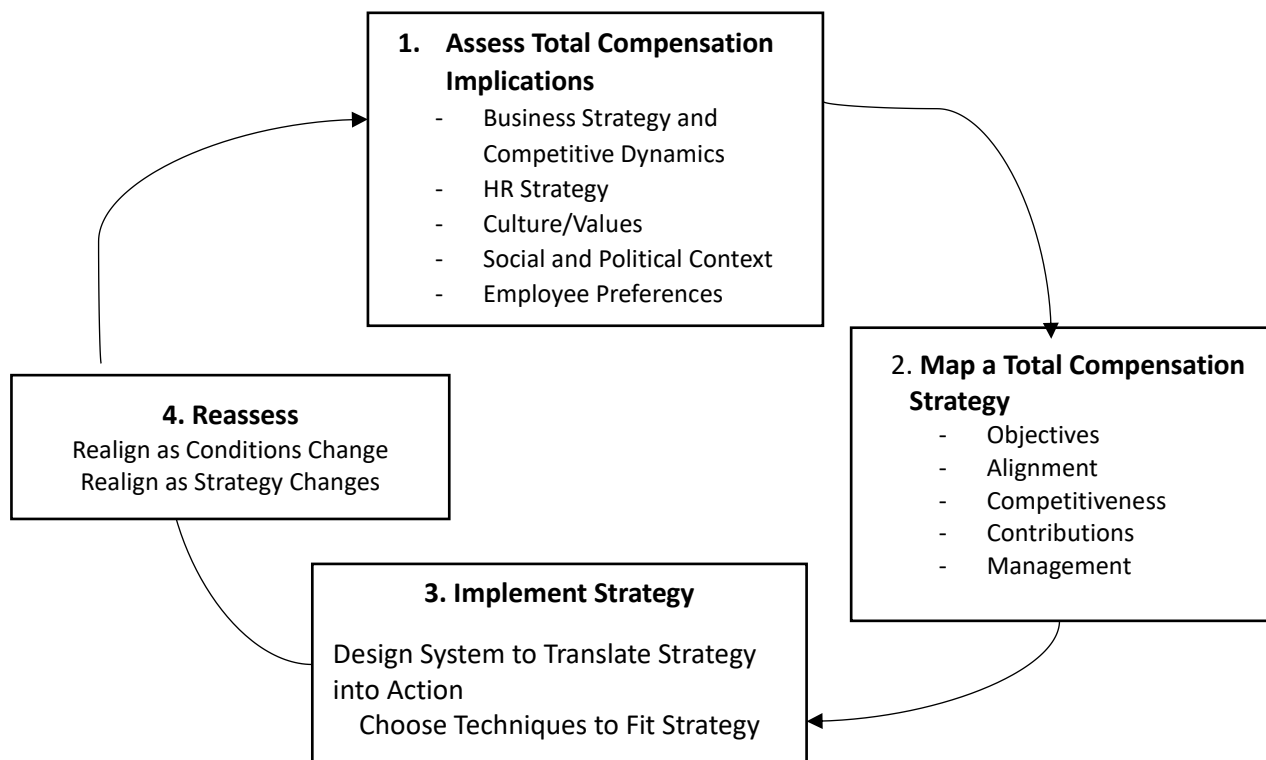


Figure 1. Key Steps in Formulating a Compensation Strategy

First step: Assess Total Compensation Implications

1. **Business Strategy and Competitive Dynamics**
This first step includes understanding the specific industry in which the organization operates and how the organization plans to compete in that industry.
2. **HR Strategy**
Overall HR strategy requires a decision about where pay fits into that HR strategy. Whatever

its role, compensation is embedded in a total HR approach. Thus, the compensation implications of all of the above factors, the organization's business strategy, global competitive dynamics, culture and values, socio-political context, employee preferences, and how pay fits into other HR systems, are all necessary to formulate a compensation strategy (Batt et al, 2002).

3. **Culture/Values**

The pay system reflects the values that guide the employer's behavior and underlie its treatment of employees. The pay system reflects the company's image and reputation.

4. Social and Political Context

Social and political conditions on various factors, including legal and regulatory requirements, cultural differences, changes in workforce demographics, expectations, and the like. These also affect compensation choices.

5. Employee Preferences

The simple fact that employees are different is too easily overlooked in formulating compensation strategies. Individual employees join organizations, make investment decisions, interact with customers, design new products, assemble components, and so on.

Second step : Map a Total Compensation Strategy

Compensation consists of the elements in the pay model: objectives, and four policy options: alignment, competitiveness, contribution, and management. Mapping these decisions is the Step in developing a compensation strategy. Mapping is often used in marketing to clarify and communicate product identity. A strategic map provides an overview of a company's compensation strategy. Mapping is often used in marketing to clarify and communicate product identity. A strategic map provides an overview of a company's compensation strategy. It can also clarify the message the company is trying to convey with its compensation system.

Steps three and four: Implement and Reassess

Step 3 is implementing the strategy through the design and implementation of a compensation system. The compensation system translates the strategy into practice and into people's bank accounts.

Step 4, Reassess and Realign, closes the loop. This step recognizes that compensation strategies must change to fit changing conditions. Therefore, periodic reassessment is necessary to continue to learn, adapt, and improve. The results of using the pay system need to be assessed against the goals we are trying to achieve.

RESEARCH METHODS

This study employs a qualitative approach using a library study method. Library studies rely on research materials such as books, journals, government regulations, police regulations (Perkap), reports, and other relevant literature. Non-print sources, including audio, video, and films, are also considered when relevant.

According to Mestika Zed (2003), library studies are a series of activities related to library data collection methods, reading, recording, and processing research materials. Data collection involved identifying and selecting documents relevant to the performance allowance policy in the Indonesian National Police. Each document was recorded and categorized according to research objectives. Data analysis followed a descriptive-critical approach, examining documents based on policy evaluation criteria such as effectiveness, fairness, transparency, and their impact on officer motivation and performance. Key steps included identifying main issues, classifying information, and synthesizing findings across sources. Policy evaluation was guided by a public policy framework, considering inputs (resources and budget), processes (implementation and distribution), outputs (allowances received), and outcomes (motivation, performance, and organizational goal achievement). This approach ensures the study maintains methodological rigor while providing a clear and comprehensive assessment of the performance allowance system in the Indonesian National Police.

DISCUSSION

Provision of performance allowance compensation in the Indonesian National Police

The implementation of performance allowance compensation in the Indonesian National Police (Polri) is regulated by Presidential Regulation Number 103 of 2018 concerning Performance Allowances for Police Employees and the Regulation of the Chief of the Indonesian National Police Number 7 of 2020 regarding Procedures for Providing Performance Allowances for Employees within the Polri environment. The determination of the amount of compensation refers to Government Regulation Number 5 of 2024, which amends Government Regulation Number 7 of 1997 concerning Civil Servant Salary Regulations.

These regulations define the mechanisms and procedures for providing performance allowances. According to Articles 4 and 5 of Presidential Regulation 103 of 2018, "Performance allowances are provided every month based on the monthly performance achievements of employees," indicating that the allowance serves as a formal recognition of individual performance.

The procedure for providing performance allowances, as stipulated in Perkap Number 7 of 2020, categorizes employees according to their performance assessment system:

1. Police members use the Performance Management System (SMK);

2. Civil servants use Work Performance Assessment (PPK); and
3. Other employees are carried out by the Kasatker user.

Determination of the amount of compensation given for performance allowances is based on the amount of the performance allowance index. This is regulated in Perkap Number 7 of 2020 article 3 which reads:

1. The amount of the Performance Allowance index is given based on the job class by taking into account rank/group, echelon/ level and position.
2. The job class as referred to in paragraph (1) is set at a maximum of 17 (seventeen) and a minimum of 1 (one).

3. The echelon/ leveling of positions as referred to in paragraph (1) is used as a guideline for career development within the Indonesian National Police.
4. The amount of the Performance Allowance index for recipients and the job class as referred to in paragraphs (1) and (2) is determined by a decision of the Chief of Police.

The amount of compensation given as a form of performance allowance refers to the amount of the performance allowance index referring to the provisions of PP Number 103 of 2018 with the following values:

Figure 2. Table of List of Performance Allowances for Employees in the Indonesian Police Environment.

**PERFORMANCE ALLOWANCE FOR EMPLOYEES
WITHIN THE INDONESIAN NATIONAL POLICE**

No	Position Grade	Performance Allowance per Position Grade
1	Wakapolri	Rp. 34.902.000,00
2	17	Rp. 29.085.000,00
3	16	Rp. 20.695.000,00
4	15	Rp. 14.721.000,00
5	14	Rp. 11.670.000,00
6	13	Rp. 8.562.000,00
7	12	Rp. 7.271.000,00
8	11	Rp. 5.183.000,00
9	10	Rp. 4.551.000,00
10	9	Rp. 3.781.000,00
11	8	Rp. 3.319.000,00
12	7	Rp. 2.928.000,00
13	6	Rp. 2.702.000,00
14	5	Rp. 2.493.000,00
15	4	Rp. 2.350.000,00
16	3	Rp. 2.216.000,00
17	2	Rp. 2.089.000,00
18	1	Rp. 1.968.000,00

Source: Attachment to Presidential Regulation Number 103 of 2018

Referring to the list of performance allowances for police members above, in its implementation there are still several obstacles faced in the application of performance allowances to police members. Some members with certain expertise, which other members do not have, are not differentiated from other members, so that they are given the same reciprocity. In addition, the practice in several cases illustrates that compensation calculations are more emphasized on administrative aspects, such as attendance, without taking into account the performance and achievements made by each officer every day. So that employees who produce more performance on that day are equated with employees who are less productive in their performance.

CONCLUSION

Performance allowances in the Indonesian National Police recognize employee achievements but primarily emphasize administrative factors like attendance, limiting their motivational impact. The study highlights the need for performance-based evaluation that reflects actual work output, contributing to public sector compensation theory and practice. Policy implications include revising assessment criteria to enhance fairness and effectiveness. Future research should use mixed methods and field data to evaluate the allowances' influence on motivation, performance, and organizational outcomes.

Compensation for employee performance is a form of appreciation to motivate employee performance in an institution. The Indonesian National Police since the bureaucratic reform has continued to improve personal performance both

individually and institutionally. Through the provision of compensation in the form of performance allowances based on performance assessments carried out every month. In its implementation. The provision of performance allowance compensation is currently still focused on performance assessments in the form of work attendance. Meanwhile, work productivity achievements have not yet become an assessment aspect in the basis for calculating performance allowance compensation. So that employees who produce more performance on that day are equated with employees who are less productive in their performance.

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Regulation

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- Presidential Regulation (Perpres) Number 103 of 2018 concerning Performance Allowances for Employees within the Indonesian National Police
- Police Chief Regulation (Perkap) Number 7 of 2020 concerning the Provision of Performance Allowances in the Police Environment
- Government Regulation Number 5 of 2024 concerning the Nineteenth Amendment to Government Regulation Number 7 of 1997 concerning Civil Servant Salary Regulations.