

THE EFFECT OF QUALIFICATIONS, COMPETENCIES, AND PERFORMANCE ON THE MERIT SYSTEM IN THE MINISTRY OF PUBLIC WORKS AND PUBLIC HOUSING

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Abstract

Background: This research aimed to examine the effects of qualifications, competencies, and performance on the merit system application through appraisal of the State Civil Apparatus (ASN) at the Ministry of Public Works and Public Housing.

Method: The Structural Equation Modeling (SEM) - Lisrel 8.8. method was used to analyze the data.

Results: The results showed that lower ASN qualifications and higher competency increased the merit system application. In comparison, higher performance increased the merit system application, motivation, and welfare as well as reduced fraud and irregularities.

Conclusion: ASN's qualifications negatively affect the merit system, while competence and performance have positive effects.

Keywords: qualification, competence, performance, and merit system

1. Introduction

President JokoWidodo presented the 2019-2024 vision, where Human Resources Development and Bureaucratic Reform directly related to the State Civil Apparatus (ASN) management. The 2015-2019 national development vision RPJMN (National Mid-Term Development Plan) involves the Sovereign Realization, Independence, and Personalized Mutual Cooperation described in three aspects. These include Human Resources Development, Leading Sector Development, and Equity and Regional Dimensions supported by political, legal, defense, and security aspects. Human Resources Development vision is achieved through improved quality education and talent management, while Bureaucratic Reform is accomplished by preventing linear, monotonous, and stuck mentality. Additionally, it can be attained through

adaptive, productive, innovative, and competitive Human Resources Development. The government can implement this strategy by applying the Merit System-Based ASN Management stipulated by the Government Regulation Number 11 of 2017 on ASN Management and Law Number 5 of 2014 on ASN. Bureaucratic Reform aims to achieve a World-Class Bureaucracy by 2024. It achieves this by recruiting ASNs with integrity, professionalism, competence, empowerment, serving with information technology and foreign languages knowledge. The Grand Design of ASN Development states that smart ASN requires a digital leader and the industrial revolution 4.0 adaptability. The current challenge faced in ASN management is mismatched qualifications in the formal and non-formal education, expertise and skills competence, and their merit system performance. The data from the Ministry of

State Apparatus Empowerment and Bureaucratic Reform showed 4.1 million incompetent ASNs. This reflects that their positions do not follow formal and non-formal education.

Law Number 5 of 2014 on ASN states that the merit system policy and ASN Management are based on qualifications, competence, and effective performance regardless of political background, race, skin color, religion, origin, gender, marital status, age, or disability. This system will change the situation of ASNs from a comfort to a competitive zone. The 2019 merit system implementation at the Ministry of Public Works and Housing is categorized as four with a 387 score, fulfilling most the merit system principles. Therefore, the Ministry of Public Works and Housing can fill positions internally instead of open selection as mandated by Article 111 of Law Number 5 of 2014 on ASN.

The research questions were as follows:

1. Do qualifications affect the Ministry of Public Works and Housing merit system?
2. Does competence affect the Ministry of Public Works and Housing merit system?
3. Does performance affect the Ministry of Public Works and Housing merit system?

This research determined and analyzed the Ministry of Public Works and Housing ASN's perceptions on qualifications, competence, and the merit system performance.

2. Literature Review

Article 1 of Law Number 5 of 2014 and the Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation Number 40 of 2018 on the Merit System Guidelines states that policy and ASN management should be based on qualifications, competence, and effective performance, regardless of political background, race, color, religion, origin, gender, marital status, age or disability. Therefore, Indonesia implemented the merit system for the following reasons:

- a. Recruit, select, and promote based on merit through sustainable human resource (HR) planning.
- b. Fair and equal treatment for ASN.
- c. Effective and efficient ASN management.

- d. Provide equal work remuneration based on performance.
- e. Awarding highly performing apparatus.
- f. Punish disciplinary violations.
- g. Maintain high standards in integrity, ethics, and community interests.
- h. Fill positions using competency tests based on the set job requirements.
- i. Facilitate ASN competencies development.
- j. Implement performance management to achieve organizational goals.
- k. Protect from political intervention and arbitrariness.

The Government Regulation Number 11 of 2017 stipulates the merit principle implementation as follows:

- a. All positions should have job competency standards;
- b. Planning the apparatus needs based on the workload;
- c. Open selection and promotion implementation;
- d. Provide career management on planning, development, career patterns, and succession plans from talent management;
- e. Reward and impose sanctions based on objective and transparent performance appraisals;
- f. Implement ASN code of ethics and conduct;
- g. Planning and providing competency development based on the performance appraisal;
- h. Protect ASN from authority abuse; and
- i. Implement an integrated competency-based information system accessed by all employees.

The government implemented the merit system for various reasons. Law no. 5 of 2014 on State Civil Apparatus (ASN) mandated the merit system application in ASN policy and management.

KASN (State Civil Apparatus Commission) established Regulation Number 5 of 2017 on Government Agencies' Self-Appraisal of the merit system implementation in ASN Management. The regulation stipulated the government agencies' evaluation criteria and procedures on the merit system implementation. The instrument was implemented for the following reasons:

- a. Maintain consistency and objectivity of KASN in assessing the government agencies' merit system application;

- b. Guide the government to implement the merit system in various agencies.

The Agency Appraisal Team formed by the PPK (Civil Service Advisor Officials) applies the self-appraisal method per the KASN criteria and sub-criteria. The results are submitted to the Head of KASN through the PPK. The KASN Team verifies and approves the results. The appraisal is based on eight criteria as follows:

- a. Providing a 5-year plan for ASN needs based on type and position as per the Position Analysis (Anjab) and Workload Analysis (ABK), considering apparatus about to retire;
- b. Conduct open and competitive recruitment from the CPNS (Candidate Selection for the State Civil Apparatus), PPPK (Government Employees with Contract Agreement), and ASN from other agencies.

Current promotions use traditional methods based on service period, loyalty, seniority, and other subjective aspects. The merit system provides a fair and objective alternative for the promotion process because it creates healthy competition, increased motivation, and appreciates those contributing, high competence and performance, achieving organizational goals.

The merit system facilitates promotions based on competence and performance (Caldwell, 1978). Fair staff practices and merit-based recruitment enhances employee engagement. Kernaghan (2011) stated that high employee engagement improves public sector management, specifically on human resources. The first statutory definition of merit in the Public Service Employment Act 2003 emphasizes that it has simplified the merit system and compromised integrity agreements (Taylor (2014). According to Ingraham (2003), the US federal service demands a new emphasis on achievement following its original intent: to ensure qualified, talented, responsive, flexible employees in rapidly changing conditions.

research shows that ASNs have positive and negative perceptions of merit-based promotions. Rupia, Garashi, Nandi, et al. (2012) explained that ASN perceptions are affected by tenure, academic qualifications, and employee position. According to Woodard (2005), the merit system creates performance-based compensation that promotes good relationships and results-oriented performance.

Caldwell (1978) stated that motivation and productivity support an effective merit system. Taiwan policy debates on patronage versus merit framework advantages state that recruitment should be based on competitive exams emphasizing equality scores than competency (So and Wai, 2015). Furthermore, the merit system implementation increases expectations affecting the relationship between performance-based salary increase and employee reactions towards salary increase, pay levels satisfaction, and turnover intentions (Schaubroeck, Shaw, Duffy, et al., 2008). Achievement and motivation are significant in recruiting and retaining quality ASN. The definition of merit has evolved into a flexible interpretation in the Federal Public Service Employment Act (PSEA) of 2003 (Kernaghan, 2011).

The merit system affects the recruitment process based on skills to create professional bureaucracy. Therefore, bureaucracy is a significant feature of preventing corruption and political interference (Dahlström, Lapuente, and Teorell, 2011). The digitization process facilitates effective and efficient digital services (Nurkholis, Soesilo, Khairul, et al., 2020). Semi-meritocracy is justifiable, but its reward schemes do not fulfill the social justice requirements (Wilson, 2003). Participants who weakly support the ideology that legitimizes hierarchy have stronger merit principle preference and highly oppose appropriate violating selection practices to support those appropriate to remedy. In contrast, those who strongly support the ideology that legitimizes hierarchy support the status quo regardless of their achievement principle preference (Hing, Bobocel, Zanna, et al., 2011). The merit system is implemented to build a professional and neutral state civil apparatus without political interference, corruption, collusion, nepotism, integrity and capability, and competence in providing community services.

3. Methods

The mathematical relationship between the variables based on the hypothesis is derived as follows:

Merit System = Qualification + Competence + Performance

$$\eta_1 = \gamma_{11}\xi_1 + \gamma_{12}\xi_2 + \gamma_{13}\xi_3$$

The equation applies Estimates Maximum Likelihood

The analysis used Structural Equational Modeling (SEM) with Lisrel software based on Confirmatory Factor Analysis (CFA) method.

4. Data

Questionnaires were randomly distributed following the set criteria (purposive sampling) on the selected sample. The criteria followed selected employees in all organizational units with a 2 year minimum

service period and a maximum of 5 years to retirement. Questionnaires were distributed to 600 sampled employees. The respondents consisted of Functional Positions employees, Executives, and Administrators. The results showed that 418 respondents gave feedback following the representative sample criteria with a 95% confidence level. The survey was performed from November 2020 – July 2021. The respondents represented 10 Organizational Units, as shown in the table below, on participation level.

Table 1. Respondent Data Based on Organizational Unit and Position Level

No	Organizational Unit	Number of Respondents	Details of Total Respondent Data						
			Executive	First Functional Position	Young Functional Position	Intermediate Functional Position	Main Functional Position	Supervisor	Administrator
1	Secretary-General	15	6	1	4	1	0	2	1
2	Inspector General	5	1	2	2	0	0	0	0
3	Director General of Natural Resources	149	69	17	24	2	1	17	19
4	Director General of Highways	149	59	12	29	0	1	24	24
5	Director-General of Human Settlements	37	15	3	9	0	0	6	4
6	Director-General of Public Housing	12	5	1	2	0	0	1	3
7	Director-General of Construction Development	21	2	2	5	0	0	8	4

	ment								
8	Director-General of Infrastructure Financing	3	1	1	1	0	0	0	0
9	Regional Infrastructure Development Agency	5	2	0	3	0	0	0	0
10	Human Resources Development Agency	22	8	0	8	1	1	1	3
Total		418	168	38	87	4	3	59	59

Source: data processing by the author (2020)

5. Results

The questionnaires' validity and reliability, as the indicators proxy, were explained by examining the relationship

between indicators and variables. The test results are shown in Table 2.

Table 2. Validity and Reliability

Latent Variable	Indicator	t-Value $\geq 1,96$	λ	λ^2	e	CR $\geq 0,7$	VE $\geq 0,5$	Criteria
Qualification	Q1	21.7	0.88	0.77	0.23	0.88	0.71	Reliability
	Q2	19.35	0.81	0.66	0.34			Validity
	Q3	20.21	0.84	0.71	0.30			Validity
Competence	C1	21.09	0.86	0.74	0.25	0.87	0.69	Reliability
	C2	19.75	0.83	0.69	0.32			Validity
	C3	19.06	0.81	0.66	0.35			Validity
Performance	P1	21.48	0.87	0.76	0.24	0.87	0.63	Reliability
	P2	21.06	0.86	0.74	0.26			Validity
	P3	19.56	0.82	0.67	0.33			Validity
	P4	12.97	0.60	0.36	0.64			Validity
	M1	11.44	0.77	0.59	0.41	0.87	0.63	Reliability

Merit	M2	16.88	0.84	0.71	0.30			Validity
	M3	15.67	0.77	0.59	0.40			Validity
	M4	15.99	0.79	0.62	0.38			Validity

Table 2 shows that all indicators have a common loading factor (λ) > 0.50 with t-value > 1.96 as significant, making all indicators valid. Reliability was measured using Composite Reliability (CR) with values above 0.70 (Righdon and Ferguson, 1991), proving all indicators reliable. Based on Igbaria, Zinatelli, and Cavaye(1997), the research instruments with a Variance Extracted (VE) score above 0.50 are valid and reliable.

This test determined the research model effectiveness for hypothesis testing using the Goodness of Fit Index (GOFI) indicator. A model fulfills the criteria when the evaluation results show Good Fit. Based on Table 3, the values of NFI, CFI, IFI, RFI, GFI, AGFI > 0.90; CN were > 200, while SRMR was < 0.05, proving the model as Good Fit. Therefore, this model is acceptable and can test the hypothesis.

Structural Model Testing

Table 3. Evaluation Goodness of Fit Statistics

No	Goodness of Fit	Criteria Value	Result	Evaluation Model
1	Chi-Square (P-Value)	P-Value \geq 0.05	176.97 (0.00)	Poor Fit
2	RMSEA	\leq 0.08	0.06	Good Fit
3	NFI	\geq 0.90	0.97	Good Fit
4	CFI	\geq 0.90	0.98	Good Fit
5	IFI	\geq 0.90	0.98	Good Fit
6	RFI	\geq 0.90	0.96	Good Fit
7	SRMR	\leq 0.05	0.04	Good Fit
8	GFI	\geq 0.90	0.94	Good Fit
9	AGFI	\geq 0.90	0.92	Good Fit
10	CN	\geq 200	238.99	Good Fit

Based on Table 3, the model fit evaluation showed that all the parameters fulfilled the criteria, while only Chi-Square (P-Value) was a poor fit. The research model's

suitability is appropriate based on these variables.

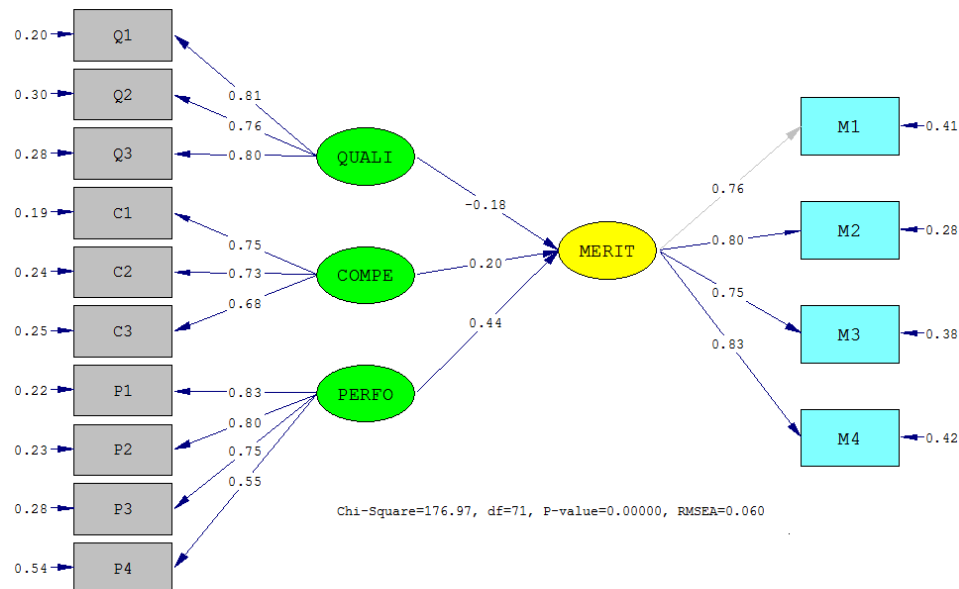


Figure 1. Estimates Structural Equation Model Results

The hypothesis testing used the Structural Equation Model to determine the coefficients statistical significance based on the significance level, using alpha standard (α

= 0.05). The hypothesis and path coefficient test results are shown in Figure 1 and further summarized in Table 4.

Table 4. Hypothesis Test Result

Hypothesis	Path Coefficient	t-Statistic	Significant	Conclusion
Qualification => Merit	-0.18	-1.83	Negative	Hypothesis is Accepted
Competence => Merit	0.20	2.21	Positive	Hypothesis is Accepted
Performance o => Merit	0.44	6.98	Positive	Hypothesis is Accepted

Table 4 shows that qualifications negatively affect the merit system, as shown by the -1.83 t-statistic value. Therefore, low qualifications increase the merit system implementation. The second hypothesis shows that competence positively affects the merit system, supported by the 2.21 t-statistic value. This finding implies that highly competent ASN at the Ministry of Public Works and Housing increases the merit system application. Furthermore, the third hypothesis reveals that performance positively affects the merit system with a 6.98 t-statistic value. Therefore, high performance improves the merit system at the Ministry of Public Works and Housing, as shown by the significant t-statistic test results.

6. Discussion

Caldwel (1978) stated that the officials' recruitment within the Ministry of PUPR using the merit system application is affected by knowledge and skills, training based on their needs, and performance. The merit system application is optimized without discrimination and political interference. This system increases employee motivation to showcase their achievements. Dahlström, Lapuente, and Teorell (2011) explained that the merit system reduces corruption. In contrast, bureaucratic factors such as public employees' competitive salaries, career stability, or internal promotions do not significantly differentiate bureaucracy from political interference. Furthermore, the

merit system implementation through salary increase (Schaubroeck, Shaw, Duffy, et al., 2008), and officials' recruitment, increases public service motivation, job satisfaction, and organizational commitment to high-level performance (Kernaghan, 2011).

The merit system implementation sometimes contradicts or ignores long-term employees, highly experienced and loyal, and technologically illiterate, creating a dilemma for leaders. The Ministry of Public Works and Housing has implemented the merit system following existing guidelines and regulations to recruit qualified and objective officials.

The survey showed the candidate's perceptions that fulfilled the requirements and criteria for objective results and minimal outsider committee interference. The merit system application is unsuccessful with outside parties' interference trying to change the results. This application is a demand for bureaucracy reform and mapping the current staffing conditions. The results showed that the Ministry of Public Works and Housing implemented the merit system but failed to accommodate the qualification aspects. Some potential candidates had fulfilled the administrative requirements, hence, the qualification aspects through formal education, substantive training, required experience, and education have not been optimized. This issue recorded negative results. Competency is assessed by appraisal results, candidates' weaknesses and strengths, and appraisal feedback has been optimized and follows candidates' expectations. Furthermore, the implementation of the candidate performance appraisal system measures performance based on the target period and quality. This process was effective and significantly affected the merit system implementation. Therefore, the Ministry of Public Works and Housing implemented the merit system that is objective, transparent, without conflicts of interest. The selection committee, with quality and integrity, has fulfilled the main performance indicators in their duties.

7. Conclusion

The merit system implementation at the Ministry of Public Works and Housing was optimized following the set work targets. The research implicated that there lacked qualified employees, but highly competent and

performance employees can compensate. This is reflected by the results showing that qualifications negatively affect the merit system, while competence and performance have positive effects.

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