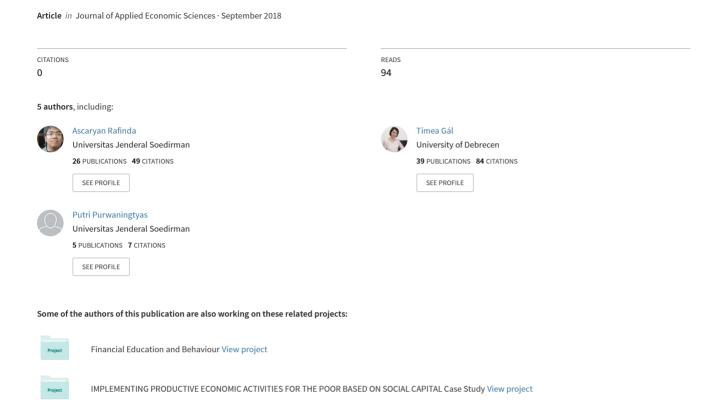
Procedural justice of government agencies in Banyumas regency





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Procedural Justice of Government Agencies in Banyumas Regency

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Abstract:

This research has two objectives: 1) identifying perceptions of justice in government agencies on the process of performance appraisal and participation in decision making; 2) Identifying the perception of justice in Banyumas Regency of local government agencies from the employee's point of view. Data analysis was conducted by performing a regression analysis. The sample of this research was generated from SKPD in Banyumas Regency; conducting the survey did data collection. A total of 137 respondents participated in this study that was a representation of 23 SKPD in Banyumas Regency. The results of this research indicate that formalities in incentive system on local government have a significant effect on perceptions of distributive justice of employees in their agencies, but participation in performance evaluation was found not to affect employee perceptions of local government in Banyumas Regency. The implication, formal methods have a more significant impact on employee such as on with written form, objective and clear.

Keywords: procedural justice; performance evaluation; employee participation

JEL Classification: D23; D90

Introduction

The topic of performance evaluation system still dominates the research on management accounting (Harris and Durden 2012). Furthermore, Harris and Durden (2012) explain that the performance evaluation system still mastering both the practice and research on management accounting. This condition leads the researcher to conduct deeper analysis on performance evaluation system by focusing on both the aspect of performance measurement and the process of performance evaluation, which in this case related to how top directors complete a performance evaluation. The performance evaluation system develops by considering not only the financials information/ accounting but also non-financial information as performance measurement. Those aspects are observed by Franco-Santos, etc. (2012) by developing conceptual concepts to understand the consequence of contemporary performance measurement system that consists of performance measurement of financial and non-financial and the basic theory in these consequences.

The literature on organisations explains that participants in organisation establish perception regarding fairness about the procedure conducted by organisation to them which later this perception will explain the outcome of the important job such as motivation, commitment and task performance (Hartmann and Slapnicar 2012). One of the procedure in an organisation that is perceived as fair is the practice of performance evaluation. Hartmann and Slapnicar (2012) state that the characteristic, which leads to fair performance evaluation, is limited.

Normatively, the principle of procedural fairness consists of consistency and accuracy. Therefore, top directors with those characters in conducting the evaluation will be assessed as more fair in the evaluation process. However, Hartmann and Slapnicar (2012) argue that there is still a lack of literature in explaining the behaviour or actual procedure that may lead to the enhancement of consistency and accuracy to obtain fairness. Lack of theoretical basis causes inconsistent result in predicting the influence of fairness on the characteristic of performance evaluation in previous researchers. The example of a characteristic of performance research, in this case, is the non-financial measurement, which is considered accurate but inconsistent.

This research attempts to find out the performance evaluation not on measurement metrics (financial and non-financial), bur more into the process of performance evaluation, which is conducted in the organisation. The trade-off that occurred between consistency and accuracy causes fairness is valued no longer from the measurement of performance evaluation but the process of performance evaluation. Characteristics of evaluation process cover the formality of performance evaluation and junior participant in the process evaluation. This research tests the influence of the process of performance evaluation on the perception of fairness procedural.

It is substantial for the organisation to design the performance evaluation by the organisation's objectives and apply it to obtain the strategic objective of the organisation. It has been presented that the design of performance evaluation has been developed along with the development of the organisation and influenced by both the culture and behaviour of the individual in the organisation. This aspect can be observed from the current researches, which find out the performance evaluation not only from the organisation but also the individual in it.

The replication in this research is completed by testing the generalisation level in all the findings in previous researches on a different context. Leung (2005) in Agritansia and Sholihin (2011) argued that fairness procedural need to be tested in a different context. It indicates that the influence of fairness procedural cannot be generalised in all contexts. Previous research, Hartmann and Slapnicar (2012) find out the impact of the performance evaluation process in the banking industry. The result shows that participation (voice) affects the perception of fairness procedural.

Fairness perception may impact the behaviour of the individual in running his job. The higher the fairness perception may increase the motivation, commitment and performance; therefore this research aims to confirm the prediction that the performance evaluation process affects the fairness perception. The research is conducted in Local Government of Banyumas Regency by assuming that evaluation system has been built to assess employee performance. However, thus far there is still no evaluation to find out how far the performance evaluation is rated as fair by the employee as of increase their motivation and commitment. The result of this testing is expected to confirm that the correct performance evaluation process may result in a fair assessment by employees who are willing to increase their motivation and commitment.

The system of performance evaluation is used by the organisation to motivate their member based on regulation and target that have been set. Local government is entrusted agent of the provincial government in conducting some government activities, while province government is representative of a central government that is located in the province. Achievement of the target from central government could be achieved when local government can reach the target for each area. The contribution of performance evaluation system as the control to the employees' behaviour of the local government is gaining target from each region.

Banyumas Regency has 27 local government work units (SKPD) based on Peraturan Daerah No. 25, 26 and 27 in 2009. SPKD in Banyumas Regency is the representative from province government in Semarang. Existing research regarding fair performance evaluation system is conducted in the non-government organisation. This research aims to test the fairness perception of a civil servant in Banyumas Regency that will contribute to the performance evaluation system of a civil servant in Banyumas Regency. This research is the basic research in the first year that is expected could identify the condition of local government employees in assessing the performance evaluation system in their institute. Formality and involvement in preparing the performance target are two independent variables, which are used in this research to identify the condition of those two variables in SKPD in Banyumas Regency. Further, if this research finds that employees feel fair enough, further research will develop the performance evaluation system, which is more competitive. While if this research finds that employee does not feel fair enough, further research will focus on the performance evaluation system which more fair and feasible in local government.

Research regarding the performance evaluation was first developed by Hartmann and Slapnicar (2009) who test if the formality of performance evaluation influences the trust level of the individual to their top directors. Hartmann dan Slapnicar (2009, 2012) view performance evaluation not from the performance measurement metrics but rather from performance evaluation process which in this case is the formality level of performance evaluation in organisation and role of junior's participation (voice). Hartmann dan Slapnicar (2009) tests the impact of performance evaluation process, which are formality level, to the trust through procedural fairness perception and feedback quality. Hartmann dan Slapnicar (2012) add characteristic in the performance evaluation process, which is not only formality level but also the participation of junior (voice). Both characteristics of the evaluation process are tested whether they have a significant impact on fairness procedural. The result of the research by Hartmann dan Slapnicar (2012) indicates that in uncertain condition, voice has a more significant impact on fairness procedural.

In Indonesia's context, research which focuses on fairness procedural perception has been developed by Agritansia and Sholihin (2011) and Desriani and Sholihin (2012). Agritansia and Sholihin (2011) develop previous research of Lau and Moser (2008) who test the impact of non-financial performance evaluation to the managerial performance which is mediated by fairness procedural, by adding individual trust as influence mediation of non-financial measurement and managerial performance. While Desriani and Sholihin (2012) develop research of Hartmann dan Slapnicar (2009) by adding a factor of distributive justice and test the influence of trust on the budget gap.

This research contributes to the testing of the influence of working evaluation's process on the perception of procedural fairness in the Government's organisation. Desriani and Sholihin (2012) research the aerospace industry, which has different characteristics compared to this research. Evaluation of the working system is one of an important factor in the development of human resources in local government. The graduate students of the college in Indonesia are interested in contributing in Central Government Agency or Non-Government Organization because that agency provides fair performance evaluation for all of its members. If this research could be done, it is expected that the Local Government Agency provide more fair performance evaluation. It is predicted that by evaluating performance evaluation system, therefore Local Government could be one of the favourite workplaces for graduate students of the college in Indonesia. The domino effect from fair performance evaluation system is the equalisation of human resources with great quality for both in Central and Local Government Agency. Therefore the development of both agencies may move forward quickly to obtain the country's purpose.

The general purpose of this research is to investigate how the process of performance evaluation may influence the perception of procedural fairness. Specifically, this research purposes:

- evaluate the impact of performance evaluation formality to the procedural fairness;
- evaluate the impact of junior participation in the performance evaluation process to procedural fairness:
- identify the fairness condition of performance evaluation system in local government of Banyumas Regency.

1. Literature review

1.1. Prior research

The purpose of a performance evaluation system is to implement the strategy. The strategy defines an important factor in designing performance evaluation system is that if the factor is measurable and valued; it will motivate individuals to obtain it (Anthony dan Govindarajan 2007). In designing the performance evaluation system in the organisation, the clear objective organisation is needed to fulfil the interests of every stakeholder.

Merchant and Otley (2007) state that in the organisation, the job can be evaluated in many forms. One of the methods of classifying the performance evaluation is by differentiating the measurement, which is financial and non-financial. Some evaluation criteria are being proposed by Merchant and Otley (2007), which are congruence, informativeness, objectivity and timelines that could be used to differentiate some job measurement as good or bad. The general thing in defining whether the measurement is good or bad is whether the measurement is reflecting the progress in obtaining the organisation's objective.

Procedural fairness referred to the social psychology consequence from fairness variation that emphasises on procedure effect in fairness evaluation (Thibaut and Walker 1975 in Lau and Moser 2008). It is explained that: perception of procedural fairness will increase satisfaction; procedural fairness is the most important determinant in procedure choices; high procedure of process control leads into high fairness valuation.

Related to the job measurement, junior will assess a job as fair if: performance evaluation is based on accurate and complete information; reflect the long-term concerns; contain conditions that refuse unfair evaluation; reflect control job; protect its interest; indicate polite and courteous behaviour (Lau and Moser 2008).

The procedure will be perceived as fair when it is consistent during a period and between individuals, free of bias, accurate, contain mechanism in repairing wrong decision, related to the concept of common morality and represent an individual opinion. The control system of management has an aspect of procedural fairness because the control system of management is based on the procedure that defines how far objective could be applied, job measurement and awards (Langevin and Mendoza 2013).

The previous researches find out the impact of procedural fairness to the individual behaviour that will increase their performance. However, the impact may vary whether direct or indirect (Supriyadi 2010). Procedural fairness in performance evaluation has been found influence job satisfaction through confidence level to top directors, organisation commitment, and fairness of outcome (Lau *et al.* 2008). Model in this research is re-testing by using different subject to evaluate the generalisation of research results by Sholihin and Pike (2009). The result shows that there is no difference compared to previous research by Lau *et al.* (2008). However, there is an inconsistent result regarding the testing of the influence of performance measurement on the perception of procedural fairness. While Lau and Moser (2008) indicate that perception of procedural fairness manager is fairer in non-financial performance measurement because it is assumed to be more complete and accurate. One of the reasons for the inconsistent aspect of this research is the importance of the performance evaluation process.

Formality construction of performance evaluation was first built by the research of Hartmann and Slapnicar (2009), which test the model of the performance evaluation system that is being used by top directors and their junior. Formality construction of performance evaluation was developed by Hartmann and Slapnicar (2009), based on the result of previous researches which indicate that performance evaluation system has potential impact to the belief, and also raise the question regarding which performance evaluation system aspect that impacts the belief and its impact. Based on this, Hartmann and Slapnicer (2009) interest to test the performance evaluation process to understand how formal performance evaluation is conducted in the organisation.

Hartmann and Slapnicar (2012) suggest second characteristics in the performance evaluation process that is the participation of junior in performance evaluation process. Hartmann and Slapnicar (2012) bring up the characteristic of participation in the performance evaluation process to increase the consistency and accuracy of the performance evaluation process. Leventhal (1980) in Libby (1999) defines participation as the ability of junior to participate by communicating their opinion to top directors. Voice is applied in previous researches (Libby 1999, Lindquist 1995) to test the fairness perception in budgeting setting.

1.2. Theory

Hopwood (1972) focused on the performance evaluation by testing the role of accounting data in performance evaluation. In this research, Hopwood (1972) found out that top directors used accounting information as a formal information source for evaluating the performance of junior. Performance evaluation system is developed by considering not only financial/accounting information but also non-financial information as the performance measurement. That aspect was also tested by Franco-Santos *et al.* (2012) by developing a conceptual framework to understand the consequences of contemporary performance evaluation system that consists of financial and non-financial performance measurement and theoretical background of these.

Previous researches were conducted to find out the impact of performance evaluation on the behavioural consequences of the individual from the measurement matrix that is being applied. Lau and Buckland (2001) found out the impact of performance measurement by applying financial dimension to the job pressure by using trust and participation. Lau and Buckland (2001) find that performance measurement, which focuses on the financial measure indirectly affects the job pressure through trust and participation. Lau and Sholihin (2005) tested the impact of the non-financial measure on job satisfaction through fairness and trust. An important finding in Lau and Sholihin (2005) is that both financial and non-financial performance measurement has an indifferent impact on job satisfaction. Hall (2008) tested the impact of a comprehensive performance measurement system to the performance through role clarity and psychological empowerment. This research focuses on the role of cognitive mechanisms and motivation in explaining the impact of management accounting to the managerial performance.

Hartmann and Slapnicar (2009, 2012) assessed performance evaluation based on performance evaluation process (not from performance measurement matrix), which in this case is the formality level of performance evaluation in the organisation and junior participation role (voice). Hartmann and Slapnicer (2009) tested the impact of performance evaluation process that is formality level to the trust through the perception of procedural

fairness and feedback quality. Hartmann and Slapnicer (2012) add characteristic in the performance evaluation process, which is not only formality level but also junior participation (voice). Both characteristics in the evaluation process were being tested its impact on the perception of procedural fairness. The result of their research indicated that under the uncertain condition, the voice was found to be more significant in affecting procedural fairness.

This research follows the research of Hartmann and Slapnicar (2012) that mentioned two characteristics of the evaluation process, which are performance evaluation formality and the importance of voice or involvement of junior in the decision-making process in performance evaluation process. In Indonesia, the research was completed by Desriani and Sholihin (2012), but participation was not added in performance evaluation.

This research expects that a formal approach in performance evaluation will affect the perception of procedural fairness when junior is given a chance to participate in the performance evaluation process. Formality will increase the consistency; while the voice is expected to increase accuracy in performance evaluation process because of the belief that junior is considered to be abler in controlling the outcome process (Hartmann and Slapnicar 2012). Langevin and Mendoza (2013) also state that participation is a communication tool between junior and top directors, which enables junior to earn information from top directors. Information sharing in participation will increase the accuracy of data being used in decision-making. Thus, the hypotheses were formulated as follows:

H1: Formality affects the perception of procedural fairness

H2: Participation in performance evaluation affects the perception of procedural fairness

2. Methodology

This research was completed by using a survey method in which a questionnaire is being distributed to the civil servant in Banyumas Regency. There are two reasons why the survey method was being applied in this research. Firstly, there is no public data documentation about the construct that will be used in this research. Secondly, study about fairness is being considered as private data, which requires data collection to be anonymous, applying the survey method easily attains this condition. (Hartmann and Slapnicar 2009)

This research will be accomplished in Local Government Work Units of Banyumas Regency that has already applied the performance evaluation system for their employees. There are some reasons why this research is completed in regency. Firstly, by focusing on regency, the researcher will be able to collect detail information for both individual and qualitative information. In this case, this research may relate detailed information in performance evaluation formality from the individual employee. Secondly, Local Government Work Units of Banyumas Regency has 27 agencies in the form of agency, inspector, hospital, and secretariat that may affect the variation in research variable; moreover, this research is completed at individual level.

Sample selection method in this research applies purposive sampling, with three criteria, which are:

- have already officiated in that position for at least a year to ensure their familiarity to the performance evaluation system:
- some top directors evaluate their performance:
- have already been evaluated.

There are two independent variables in this research, which are formality and participation. Formality variable of performance evaluation system is measured using an instrument that is developed by Hartmann and Slapnicar (2009). This instrument measures performance evaluation system as a latent construct. This construct is developed into three different sub-formality systems, which are:

- target setting formality is measured using 2 question items, namely whether target setting is made by top directors in written form and quantitative (more formal) or in vice versa;
- performance evaluation formality use 2 question items about how top directors conduct performance assessment, whether it is based on objective and quantitative (more formal) information or vice versa where they use self-assessment and qualitative (less formal);
- rewarding formality is measured using 4 items, that indicate objectivity in deciding reward. All of these instruments are stated in the Likert scale of 5 points with numerical scaling, which in this case when the value is close to 1 means less formal, and vice versa, when the value is close to 5 means more formal.

Participation in performance evaluation is measured using an instrument that is developed by Hartmann and Slapnicer (2012). In this research, participation is measured by the extent to which individuals are allowed to

take part in deciding the objectives and actively giving feedback in the performance evaluation process. Three question items are developed, which are:

- asking whether the job's objective is defined by considering junior's suggestion;
- whether in evaluating the performance, top directors consider the junior's explanation;
- whether in deciding the job's objective, top directors consider uncontrolled factors.

The dependent variable in this research is procedural fairness that is measured by four questions items, which are developed by Hartmann and Slapnicar (2009). Question items include the extent to which the respondent believes that the subsystem from the target setting, performance measurement and rewarding, and the overall system, are directed to the determination of fair salary.

Hypothesis testing 1 and two are completed to find out whether performance evaluation formality and participation may impact procedural fairness perception, which later completed by having multiple regression analysis. To test each hypothesis, the t-test is completed to find out whether there might be a linear impact between independent and dependent variables. The result of t-test can be seen from its significant level, if the significant level is under error level that is 0.05 or 5%, therefore, it is concluded that the independent variable affects the dependent variable.

Determination coefficient is applied to test the goodness-fit from regression model (Ghozali 2009). The value of determination coefficient is between zero and one. The low value of R2 indicates that the ability of independent variables in explaining the variation of dependent variables is limited. When the value is close to one, means that the independent variables explain almost all of the information needed to predict the variation in the dependent variable. The basic weakness in using the determination coefficient is the bias to the number of independent variables in the model. Every addition of one independent variable will increase the value of R2 without looking the fact whether that variable significantly affects the dependent variable or not. Therefore, many researchers suggest applying the adjusted value of R2 in evaluating a regression model (Ghozali 2009).

F-test is completed to find out whether all independent variables in the model affect the dependent variable. Null hypothesis (H0) that will be tested is whether all parameters in the model are equal to zero or: H0 = β 1= β 2 =....= β k = 0, means that the independent variables are not significantly affect the dependent variable. While the alternative hypothesis (Ha) = β 1= β 2 =....= β k = 0, means all of the independent variables are significantly affect the dependent variable (Ghozali 2009). The method that can be applied to recognise whether the alternative hypothesis is being rejected or not is by conducting F-test. If the result of significant F-test < 0.05, H0 is rejected, and Ha is accepted. This indicates that the independent variables have statistic probability that is significant to the dependent variable.

2.1. Data collection

This research is completed by involving civil servant in Local Government Work Units (SKPD) of Banyumas Regency. The questionnaire is distributed to all of the Local Government Work Units (SKPD) of Banyumas Regency, in total 26. In total, 23 of SKPD become the sample of the research as they respond to the questionnaire. Total of 260 questionnaires are distributed to all of SKPD in Banyumas Regency, and later 145 questionnaires are returned, from 145 questionnaires, only 137 questionnaires are complete and can be used for the research. It relates to the completeness of the participant in answering the questionnaire.

The period for distributing and obtaining the data is sixty (60) days. To obtain the participant's seriousness in answering the questionnaire, the researcher gives an incentive in the form of goods and voucher for those people who meet the standard of responding, which mean valid answer. Table 1 shows the number of participants in this research.

Table 1. Number of participants

Sent to target Participant	260
Responded Questionnaires	145
Valid Questionnaires	137

Source: Primary Data

3. Results

The research instrument that was applied in the questionnaire had already been tested using a pilot test. The objective of the pilot test was to find out whether the research instrument is applicable in the research related to

its understanding in research instrument and validity test and reliability. Participants in the pilot test were different participants compared to the participants in the survey.

The pilot test involved 25 participants who were post-graduate students of FEB Unsoed. There are some reasons why post-graduate students were selected as the participants that (1) they have work experience. Therefore, they understand incentive system in their office, (2) understand the complexity of the research method. Thus, the participant in the pilot test may give feedback and suggestion related to the instrument used in the pilot.

3.1. Classical assumption test

3.1.1. Multicollinearity test

The result of multicollinearity shows that the correlation between variables is under 0.6, indicating that there is no correlation between variables.

		Average Procedural Justice	Average Formality	Average Participation
	Average Procedural Justice	1.000	.446	.267
Pearson Correlation	Average Formality	.446	1.000	.288
	Average Participation	.267	.288	1.000
	Average Procedural Justice		.000	.001
Sig. (1-tailed)	Average Formality	.000		.000
	Average Participation	.001	.000	
	Average Procedural Justice	137	137	137
N	Average Formality	137	137	137
	Average Participation	137	137	137

Table 2. Correlation test result

3.1.2. Heteroscedasticity

The result of Heteroscedasticity Test is shown in the scatterplot graph below. The picture indicates that the data distribution does not tend to gather and to form a certain pattern. It shows that there is no heteroscedasticity in the data.

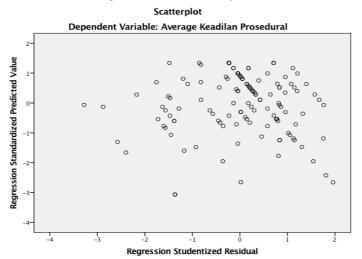


Figure 1. Heteroscedasticity test

3.1.3. Autocorrelation Test

Autocorrelation test was conducted by applying Durbin-Watson and resulted in a score of 1.872. It shows that there is no autocorrelation in regression mode. Term and requirements of Durbin-Watson test to be free of autocorrelation is as follow: (1) there is positive autocorrelation if DW is under -2 (DW < -2), (2) there is no autocorrelation if DW is between -2 and +2 or -2 < DW < +2.

3.2. Normality Test

The result shows that the score of asymptotic significant is 0.827 > alpha ($\alpha = 0.05$). Therefore, we can conclude that the data is normally distributed. It indicates that the dependent variable is normally distributed in each category of independent variables.

3.2.1. Hypothesis testing

After all of the assumptions are fulfilled, hypothesis testing is conducted by applying a regression test. A regression test is completed to find out the impact of the independent variable on the dependent variable. There are two hypotheses in this research, which are H1: formality in performance evaluation affects the perception of procedural fairness, and H2: participation in performance evaluation affects the perception of procedural fairness. Multiple regression tests are completed to prove the hypothesis. The result of regression analysis can be seen in Table 3.

Unstandardized Standardised Model Coefficients Coefficients Sig. Collinearity Statistics В Std. Error Beta Tolerance .017 (Constant) 1.036 .428 2.419 .600 .917 Average Formalitas .119 403 5.053 .000 1.091 Average Partisipasi 149 .079 .150 1.887 .061 .917 1.091

Table 3. Coefficients

Note: a. Dependent Variable: Average Procedural Justice

Based on the result of regression analysis table, it shows that first hypothesis that expects the correlation between formality and perception of procedural fairness is supported with the obtained sample data, while the second hypothesis that expects to test the relation between participation and procedural fairness is not supported with the obtained sample data.

Conclusion

The result of this research shows that formality is seen by a civil servant in local government as an important thing in evaluating procedural fairness in its agency. An agency where its top directors do a formal performance evaluation is perceived as the existence of fairness in the agency by their employees. It is different from the result on hypothesis two; it shows that there is no correlation between employees' participation during the performance determination to the perception of procedural fairness. The finding on hypothesis two is interesting to get a future observation, to understand why employees' participation does not impact the perception of procedural fairness. This might be caused by the absence of participation in the making of performance incentive.

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