

Model of reward system toward the performance of public sector organizations

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Abstract

The service quality of public sector organizations in Indonesia is currently considered to be less satisfactory than the private sector. One reason for the low performance of public sector employees is because the reward and punishment system is not applied firmly and consistently. The reward system is very important in both the private and public sectors, because rewards have a central role to keep employees motivated and tied to work. The Social Exchange Theory states that when a person is satisfied with the award given by the organization, they will reciprocate by developing a positive attitude towards the organization such as a higher level of commitment. This study aims to explore the effect of reward systems on the commitment and performance of public sector employees using quantitative methods. Analysis of research using primary data collected through questionnaires using survey methods and hypothesis testing using PLS software. The results showed that :extrinsic rewards negatively affected affective, normative, and sustained commitment; intrinsic and social rewards have a positive effect on affective, normative and sustainable commitment; Affective commitment has a positive effect on organizational performance, while normative and sustainable commitments negatively affect organizational performance

Keywords

service quality, public sector, private sector, reward system, sustainable

1. Introduction

The public sector is an institution whose funding sources come from the state budget; being in charge in providing public goods that can be accessed by any individual who is not under any competition (Ajmal 2015). It includes various organizations, which are used to make and implement decisions regarding the satisfaction of the public interest. The old paradigm which argues that the public sector provides public goods needed by public without any competition such as health and education at this time begins to shift, because many private sectors also play roles in providing public goods. This is where the competition starts between business organizations and public sector ones that provide the same public goods. For people whose level of welfare is high will choose schools managed by business organizations rather by the government, with the consideration private schools have better quality. Image "Number-2 Quality" has been attached to public sector services.

Due to improve the performance of public sector organizations, miscellaneous policies have been widely applied, including: bureaucratic reform, remuneration systems, certification, etc. However, none of these policies has been able to change the performance of the public sector yet. Therefore, it is very important to develop a systematic and consistent performance measurement system to improve organizational management and community satisfaction with the services provided and accessibility to public sector organizations. One of the causes of the low performance of public sector employees is the reward and punishment system is not applied strictly and consistently. The same appreciation to the employees who perform both well and badly causes motivations that ultimately affect employee commitment.

Work commitment is an employee's psychological bond in the form of a very strong desire to remain as an employee in an organization characterized by his/her willingness to maximalize all the power and force for the benefit of the organization. The commitment depends on perceived organizational support which also affects employee attitudes and satisfaction. Two main factors that increase the level of employee job satisfaction are intrinsic and extrinsic motivation factors in the form of reward systems. Job satisfaction refers to employee outputs on their remuneration and other support from the organization.

Reward systems are very important in the modern era. In both the private and public sectors, awards play a key role to keep employees motivated and tied to work. Human resources are the most important source of any

organizational performance. Employees are found to be more satisfied and committed to their work when they feel they would get rewards in the form of development and perspectives on organizational care (Dewhurst et al 2009).

Herzberg in Ajmal (2015) explained that when applied in industrial institutions, intrinsic and extrinsic rewards affect effectively on employee effectiveness; level of motivation; employee satisfaction and level of commitment. Very low employee and organizational performance is the output of low levels of employee motivation, in which the results can be low levels of satisfaction, higher turnover ratios and increased employee absentee ratios. The turnover ratio of employees who are less satisfied increases due to a boring environment or irrelevant routine work yielding employees working tired or leaving the organization for better options. Organizations can increase labor commitment through rewarding organizations (Malhotra et al 2007, Newman et al 2011).

Social Exchange Theory presupposes that when an individual is happy with the rewards provided by the organization they will reciprocate by developing a positive attitude towards their organization such as a higher level of commitment (Haar et al 2004). Werther et al (1996) said: "Compensation is what employees receive in exchange for their contribution to the organization". Popular Human Resource Management strategies provide compensation options, which give employees the opportunity to choose the level or type of rewards they would receive from work.

The organization decides to use a reward for two reasons: 1) to control costs by only providing truly valuable rewards to employees, and 2) to obtain benefit from improvements in employee attitudes and behaviors. The use of reward options reflects that traditional approach offering standard rewards has not managed to control costs or improve performance yet; these generic ways of appreciation tend to produce poor results (Beer et al 2004). Therefore, the reward option allows organizations to provide rewards adjusted for each of individuals, and become trusted to help compete to recruit and retain the best employees, as well as contribute to their subsequent performance.

Heuristic justice theory shows workers' perceptions of the justice of the reward system will generalize their perceptions of the organization as a whole (Mignonac et al 2013). If the organization acts fairly in important and prominent situations, then individuals will tend to assume that the organization is generally fair. Because of the importance of awards to workers, an assessment of the justice of the reward system is very influential in shaping the overall perception of the organization. For instance, reward options must contribute to the general perception of procedural justice among workers: having a reward option will lead to a perception of justice in the reward system and evaluation of the reward system will be generalized to the organization as a whole (Tyler 1987). By using data in the form of survey from public sector employees in Madiun District, the study aims to explore the importance of the reward system in the form of intrinsic, extrinsic and social rewards for the performance of public sector employees under the pressure to improve the quality of public services.

2. Literature Review And Hypothesis Development

2.1 The Effect of Extrinsic Reward to Commitment

Extrinsic benefits refer to the total financial benefit package obtained by employees from the organization including basic salary, salary related to performance (e.g. bonus, remuneration), provision of social security, accommodation subsidies and health insurance. The Social Exchange Theory states certain actions will be repeated if there is a reward; the higher the value of an action for someone, the greater the likelihood that the action will be repeated. Provision of extrinsic benefits will lead employees to retaliate by showing a higher level of emotional bond (affective commitment), feeling of obligation to the organization (normative commitment) and lowering the attraction of alternative work outside the organization (continuance commitment). Empirical evidence in private sector organizations in the West generally supports this statement (Mottaz 1988, Loscoco 1990, Williamson et al 2009), and thus the hypothesis is formulated as follows:

H1a : Extrinsic reward influences affective commitment

H1b : Extrinsic reward influences normative commitment

H1c : Extrinsic reward influences continuance commitment

2.2 The Effect of Intrinsic Reward to Commitment

Intrinsic rewards refer to the benefits that employees get from an organization consisting of: role clarity, skill variation, feedback, training and autonomy. Crowding theory states in certain conditions monetary reward (external) actually weakens intrinsic motivation; giving rewards for doing an activity has indirect negative consequences, if intrinsic motivation is considered important; awarding an activity has indirect negative consequences. The expectation of future rewards causes a person to behave as desired if there is a reward given. Non-monetary rewards in the form of role clarity to the extent to which role expectations are clear and understood well by individuals (Rizzo et al 1970). Those who do not fully understand what superiors expect tend to experience greater uncertainty, which can cause stress and frustration (De Ruyter et al 2001). Work that requires using different skills, can develop competence and trust in their abilities (Hackman et al 1976). This in

turn can lead to strong emotional ties, obligations to the organization, and higher opportunity costs associated with leaving organizational membership.

Feedback measures the extent to which an employee receives information about his/her effectiveness/performance from superiors (Young et al 1998). The organization should provide sufficient feedback for employees to help develop abilities and agree with pressure on work and motivate to maintain future performance. As a result, feedback could become an important intrinsic motivator in the workplace and increases employee commitment to the organization (Mathieu et al 1990). The provision of training will be considered by employees as a sign that organizations want to engage in social exchanges with them and also it encourages reciprocity and strengthen emotional bonds and feelings of obligation to the organization (Bartlett 2001). Training also helps employees agree with the demands of the work in which they are placed and increases their confidence. Therefore, it reduces the level of stress and frustration, and further increases emotional bonds and feelings of organizational obligation. The training also increases the opportunity cost of leaving the organization.

Autonomy is the ability of employees to carry out their work in the way in which they choose to do so. Given it is an important intrinsic motivator, it increases employee self-worthiness and meets their internal psychological needs, and thus it should lead to high levels of affective and normative commitment (Williamson et al 2009). It should also increase continuance commitment because of the high opportunity costs felt by employees if they leave their membership. Various studies have found a strong relationship between role clarity and affective commitment (Malhotra 2007, Newman 2012) variation in skills relations (Mathieu et al 1990) feedback relationships (Mathieu et al 1990, Malhotra 2007) the relationship between providing training and organizational commitment (Bartlett 2001, Gould 2004), and thus the hypothesis is formulated as follows:

H2a : Intrinsic reward influences affective commitment

H2b : Intrinsic reward influences normative commitment

H2c : Intrinsic reward influences continuance commitment

2.3 The Effect of Social Reward to Commitment

Social reward is the benefits employees get from organizations in the form of satisfaction with supervision and support from colleagues. Monitoring satisfaction measures the extent to which an employee is happy with the supervisor's behaviors towards them (Malhotra 2007). As the main representative of the organization, with responsibility for directing and evaluating the performance of subordinates, subordinates may be expected to develop a level of emotional attachment and feeling of obligation to the organization when they are satisfied with the boss (Eisenberger 1986, Mottaz 1988, Rhoades 2001). In addition, those employees who are satisfied with supervision are expected to develop continuous commitments, such as changing jobs that do not provide adequate quality of supervision. Research in Chinese private sector organizations shows a strong relationship between supervisor support and both affective and normative commitments (Wang 2008, Newman 2012). This evidences supervisors have a greater influence on subordinate work activities in Chinese organizations, because of the cultural context in which there is respect for seniority, a strict hierarchy in the workplace and limited subordinate participation in decision making (Chen 2002, Cheng 2003, Hui 2004, Bastian 2012).

Co-worker support refers to psychological support and feedback provided by colleagues at work. It is considered an important channel for the dissemination of work knowledge and the socialization of new entrants to the organizational culture, and could create a feeling of greater emotional attachment to the organization (Mottaz 1988). It also increases the level of higher normative commitment, because they feel obliged to reciprocate the positive treatment they receive from other members and the greater continuance commitment arises from the opportunity costs of losing this support provided by their coworkers arising from leaving the organization. Empirical evidence in public and private organizations usually confirms the positive relationship between coworker support and Western employee organizational commitment (Steinhaus, 1996, Steijn 2006). However, recent work on Chinese employees in the private sector found no evidence of such relationships (Wang 2008, Newman 2012) or significant marginal influence. Based on the two proxies the problem is formulated as follows:

H3a : Social reward influences affective commitment

H3b : Social reward influences normative commitment

H3c : Social reward influences continuance commitment

2.4 The Effect of Commitment to Organizational Performance

Organizational performance is the quantity and quality of work achieved by the organization in carrying out its duties in accordance with the vision and mission. To achieve maximum organizational performance, a professional work climate is needed. It is formed by a commitment, consisting of the company's commitment to employees, and vice versa. Individuals who are satisfied with their work tend to fulfill commitments to the organization, and hence the emergence of employee loyalty to the organization, which ultimately causes the employee to have a sense of dependence and responsibility on the organization. By the various levels of

commitment that employees have will lead to the results of the relationship of different organizational performance and the hypothesis is formulated as follows:

H4a : Affective commitment influences organizational performance.

H4b : Normative commitment influences organizational performance.

H4c : Continuance commitment influences organizational performance.

The relationship between variables could be illustrated in the following diagram:

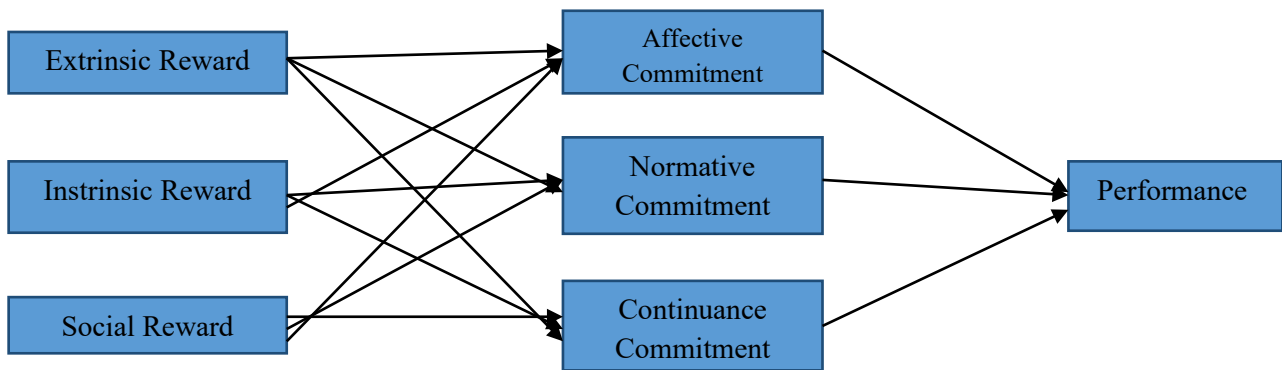


Figure 1 The relationship between variables

3. Methodology

This research is based on explanatory research, whereby it aims to test and explain the relationship, differences and influence of one variable with other variables. The study uses a survey method which is a system to gather information from or about people to describe, compare, or explain their knowledge, attitudes and behaviors. The survey method is used in explorative, descriptive, and causal research to collect data about people, events, or situations (Sekaran 2007).

This research is conducted on sector public employees in the Madiun Regency government. Based on data on 2016 figures, the number of employees in Madiun Regency is 9422 people. Referring to the opinion of Roscoe in Sugiyono, the number of sample members is at least 10 times the number of variables studied. In the study, there would be 3 independent variables; 3 mediating variables and 1 dependent variable, so that the number of samples in this study are 70 samples with convenience sampling design.

This study comprises independent, mediating and dependent variables. All variables would be measured by using a Likert scale, whereby respondents states the level of agreement or disagreement regarding miscellaneous statements regarding behavior, objects, people, or events with answers and scales:

- (a). 1 : Strongly disagree
- (b). 2 : Disagree
- (c). 3 : Agree
- (d). 4 : Strongly agree

The operational definition for each variable used in this study is as follows:

Independent Variables

- (a). Extrinsic Reward is financial benefits obtained by employees from the organization including basic salary, salary related to performance (bonus, remuneration), provision of social security, accommodation subsidies and health insurance. Satisfaction with extrinsic benefits is measured by using a five-item scale from (Newman, 2011), which combines items with compensation and basic rewards, a concept developed by Malhotra (2007)
- (a). Intrinsic Reward is the benefit obtained by employees, consisting of: role clarity, skill variation, feedback, training and autonomy. To measure role clarity, a five-item scale (Rizzo 1970) is employed. Variation in skills is measured by using two items from Hackman (1976), adapted by Huczynski and Buchanan (2001). The three-item scale has been developed by Malhotra (2007) based on the scale used by Hackman (1976), and used to measure the feedback. Using a three-item scale developed by Newman (2011) would decide the provision of training value. Autonomy is measured by using three items taken from Hackman (1976).
- (b). Social Reward is the benefit obtained by employees in the form of satisfaction of supervision and support from colleagues. Satisfaction with supervision is measured by items taken from House and Dessler. Co-worker support could be decided by using four items from Malhotra (2007).

Mediating Variable

Referring to Porter et al. (1973), organizational commitment is defined as the relative strength of individuals towards an organization and its involvement in a particular organization, which is characterized by three psychological factors: (1) a strong will to remain becoming a member of the organization, (2) a desire to do everything in their power for the sake of the organization and (3) confidence and acceptance of organizational values and goals. Organizational Commitment is measured by using responses from several statements referring to Meyer (1993) about three forms of organizational commitment, namely: Affective Commitments, Continuity Commitments and Normative Commitments.

Dependent Variable

Organizational performance is defined as the level of organizational achievement in a given period. The performance in this study is measured by balance scorecard. The balanced scorecard approach is based on 4 perspectives: finance, customers, internal business processes and learning and growth.

Testing the hypothesis in this study employs the Smart Partial Least Square (SmartPLS) software version 3.0. PLS analysis consists of two sub models, namely the measurement model or called the outer and structural model or called the inner model. The measurement model shows how the manifest or observed variable presents/forms a latent variable to be measured. While the structural model denotes the strength of estimation between latent or construct variables. Its purpose is measured to test the reliability and validity of items or indicators that form the construct. Whereas for the structural model intends to determine the effect between variables or constructs in the model. The following path diagram could illustrate the relationship between latent variables (constructs) both exogenous and endogenous:

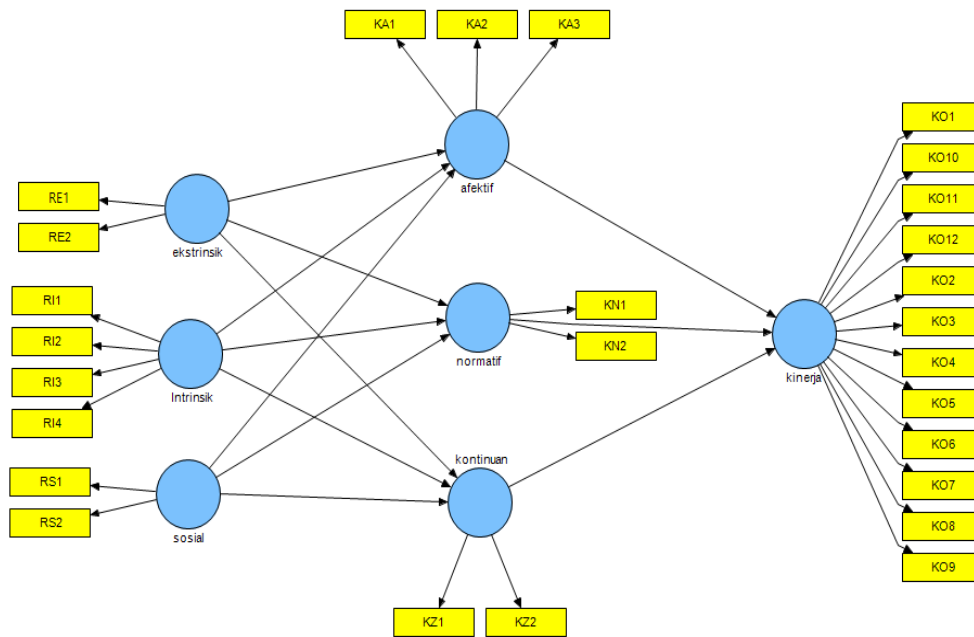


Figure 2 Path Diagram

4. Analysis Data

The researcher distributed 100 questionnaires and collected 70 questionnaires. Those collected questionnaires assisted the process of analysis. The number of sample is 70 respondents who have met the requirements to get maximum likelihood, which is a sample with a size of 10 times the number of variables. The study used 7 variables, consisting of 3 independent variables, 3 mediating variables and 1 dependent variable.

Madiun Regency is one of the sub-provinces in East Java located in the western part of East Java. It consists of 15 Districts; 4 Non-Agency Agencies; 8 Board; 13 offices with a total of 9422 employees. Demographically, the respondents of this study consisted of men by 61% and women by 39%. Respondent age is less than 30 years (10%); in the range of 30-40 years (40%) and more than 40 years by 50%. For class positions, 21% of them are class-II respondents and 79% of them are respondents belonging to class III. In terms of education, respondents with D3 degree were 10%; undergraduate as much as 81%; and 9% of them are postgraduate. Regarding the

length of work, 50% of respondents with a service life of more than 20 years; the working period of 15 to 20 years is 13%; of 10 to 15 years is 13%; of 5 to 10 years is 3%, and less than 5 years is 21%.

Analysis of outer model

In the study, validity test is divided into two, namely: convergent validity and discriminant validity. The results of the discriminant validity test yield based on the ratio of AVE with the correlation between constructs, namely if $AVE > \text{correlation between constructs}$. Reliability test functions to test whether the items/indicators of the instrument can be used to measure more than twice with accurate results. Its results are seen according to the Cronbachs Alpha value with Cronbachs Alpha > 0.6 and composite reliability value with criteria > 0.6 . The results of the validity and reliability tests would be exhibited in the following table:

Table 1 The Result of Validity and Realibty Tests

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
Affective	0.829073	0.935468	0.791388	0.897513	0.829073	-0.405796
Extrinsic	0.767900	0.868673		0.698844	0.767900	
Intrinsic	0.627901	0.870863		0.806098	0.627900	
Performance	0.640877	0.952504	0.669675	0.941272	0.640877	-0.070535
Continuance	0.831535	0.907966	0.810054	0.800463	0.831535	-1.123725
Normative	0.804774	0.891722	0.622860	0.761747	0.804774	-0.425811
Social	0.881858	0.937221		0.866061	0.881858	

Based on table 1, the analysis of the outer model denotes that the questionnaire is valid as indicated by the AVE value > 0.5 . Questionnaires were also reliable, which was proven by Cronbachs Alpha criteria > 0.6 and composite reliability values with criteria > 0.6 .

Analysis of inner model

Inner model analysis aims to predict the relationship between latent variables by observing how much variance can be explained and to find out the significance of P Value. In assessing, the inner model with PLS, by perceiving at the values of R-Square and Q Square. R Square shows the extent to which a construct is able to explain the model. Q Square would represent predictive relevance value.

Based on table 1, the average value of R Square is above 0.6, in which the greater this value is, the better the model predictor describes variance. While for the Q square value observed from the value of redundancy denotes the number < 0 and indicates the model is lack of predictive relevance.

The result of hypothesis testing

Table 2 The Result of Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ((O/STERR))
affective -> performance	1.436419	1.449473	0.112295	0.112295	12.791456
extrinsic -> affective	-0.335839	-0.347425	0.093828	0.093828	3.579288
extrinsic -> continuance	-1.110236	-1.138785	0.107652	0.107652	10.313150
extrinsic -> normative	-0.402682	-0.398557	0.124867	0.124867	3.224886
intrinsic -> affective	0.633906	0.647585	0.096317	0.096317	6.581488
intrinsic -> continuance	0.870931	0.891413	0.113473	0.113473	7.675258
intrinsic -> normative	0.545422	0.549931	0.090164	0.090164	6.049239
continuance -> performance	-0.327594	-0.329245	0.058436	0.058436	5.605990
normative -> performance	-0.597412	-0.607760	0.116507	0.116507	5.127703
social -> affective	0.670765	0.672472	0.077836	0.077836	8.617673
social -> continuance	0.836102	0.834461	0.089826	0.089826	9.308044
social -> normative	0.685093	0.677431	0.066154	0.066154	10.356054

In accordance with the results of hypothesis testing, it shows that the statistic t value > 1.96 means the independent variables have a significant effect of 5% on the dependent variable or in other words, the hypothesis is accepted. The first hypothesis testing yields extrinsic rewards negatively affect affective, continuance and normative commitment, meaning the greater the financial benefits obtained by employees from the organization would be, include basic salary, salary related to performance (bonus, remuneration), provision of social security, subsidized accommodation and health insurance, the less the commitment to survive in the organization would be, for emotional ties and also consideration of opportunity cost that must be borne by an individual if leaving the organization with the organization or because of a necessity. This proves the validity of Crowding theory, that reward cannot always increase employee commitment. Giving rewards for doing an activity has indirect negative consequences. The expectation of future rewards causes a person to behave as desired if there is a reward given, and thus the bonds that emerge are economic ties, not psychological (affective) ones. The results of testing hypothesis signifies a negative effect because the respondents in this study feel they have committed to the organization but do not get satisfying external rewards because the reward and punishment system in the public sector organization has not been applied firmly and consistently.

Testing the second hypothesis indicates intrinsic reward has a positive effect on affective, normative and continuance commitment. Intrinsic reward refers to the benefits that employees get from an organization consisting of: role clarity, skill variation, feedback, training and autonomy. Role clarity is the extent to which role expectations are understood well by individuals; those who do not fully understand what employers expect are likely to experience greater uncertainty, which can cause stress and frustration. Jobs that require using different skills can encourage employees to develop competence and confidence; providing sufficient feedback for employees to help develop abilities, and agreeing with pressure on work and motivate to maintain future performance.

Employees will consider the provision of training as a sign that organizations want to engage in social exchanges with them and also it encourages reciprocity and strengthen emotional bonds and feelings of obligation to the organization. Training also helps employees agree with the demands of the work in which they are placed and increases their confidence. Therefore, it reduces the level of stress and frustration, and further increases emotional bonds and feelings of organizational obligation. The training also increases the opportunity cost of leaving the organization. The results of this study support the results of the study by Malhotra (2007) that there is a strong relationship between role clarity and affective commitment; variation in skills relations (Mathieu 1990); relationship of feedback and organizational commitment (Mathieu 1990, Malhotra 2007); the relationship between providing training and organizational commitment (Bartlett 2001, Gould 2004); the relationship of feedback and employee commitment (Mathieu 1990).

The result of testing the third hypothesis indicates social rewards have a positive effect on affective, normative and continuance commitment. Social reward is the benefits employees get from organizations in the form of satisfaction with supervision and support from colleagues. The satisfaction of supervision measures the extent to which an employee is happy with the supervisor's behaviors towards them. As the main representative of the organization, with responsibility for directing and evaluating the performance of subordinates, subordinates may be expected to develop a level of emotional attachment and feeling of obligation to the organization. Co-worker support refers to psychological support and feedback provided by colleagues at work. It is considered an important channel for the dissemination of work knowledge and the socialization of new entrants to the organizational culture, and could create a feeling of greater emotional attachment to the organization. It also increases the level of higher normative commitment, because they feel obliged to reciprocate the positive treatment they receive from other members and the greater continuance commitment arises from the opportunity costs of losing this support provided by their coworkers arising from leaving the organization. The results support the studies belonging to Steinhaus (1996) and Steijin (2006), that there is a positive relationship between co-worker support and Western employees organizational commitment (Wang 2008). Newman (2012) that there is a strong relationship between supervisor support and both of affective and normative commitments. It evidences supervisors have a greater influence on subordinate work activities, because of the Eastern cultural context adopted by the respondents in which there is respect to seniority, a strict hierarchy in the workplace and limited subordinate participation in decision making.

Testing the fourth hypothesis represents affective commitment has a positive effect on organizational performance, while normative and continuance commitments negatively affect organizational performance. Work commitment is an employee's psychological bond in the form of a very strong desire to remain as an employee in an organization that is characterized by a willingness to use maximally all the power and effort for the benefit of the organization. Employee commitment depends on perceived organizational support which also gives impacts to employee attitudes and satisfaction. Emotional and psychological associations belonging to employees towards the organization will create a sense of belonging to the organization, and, hence, the desire to develop the organization will grow. However, if the commitment of employees is due to a necessity and because of the reason for opportunity cost, the bond that emerges is only an economic bond and employees can easily abandon their obligations when their rights are not fulfilled.

5. Discussion and conclusion

Firstly, the reward system has a major role to keep employees motivated and tied to their work. Employees' positive perception to the organization develops when they feel the organization values their contribution and realizes the rewards in recognition of their hard work and effort. The loosening of the rules of employee management and the weak implementation of rewards and punishments in public sector organizations has led to a lack of satisfactory public service performance. When the public demand for excellent service and competition with the private sector in the supply of public goods is increasing, various policies such as bureaucracy reform, formation of Public Service Agencies (BLU), remuneration systems, etc. are applied. However, nowadays, these policies still have not produced maximum output yet. Referring to the Social Exchange Theory, the reason someone is involved in an exchange relationship with another person because of the relationship will be rewarded. Social exchange theory discerns between behavior and environment as reciprocal relationships. Some studies say that monetary rewards are considered the most effective way to increase employee commitment and performance, but the fact shows that the increase in monetary rewards has not been able to optimally improve the performance of public sector employees, such as: remuneration, salaries 13 and 14, educator certification etc.

The results of this study are different from the results of previous studies which stated that extrinsic rewards have a positive effect on organizational commitment and performance. It shows that extrinsic rewards are not always able to improve employee performance because: first, referring to Crowding Theory that in certain conditions extrinsic reward actually weakens intrinsic motivation. Providing monetary rewards only increases performance within a certain time. When employees receive an increase in external rewards it will be followed by consumptive activity. This activity causes satisfaction with external rewards to last only for a while, then employees will try to seek additional rewards from other sources (there is a decrease in commitment); extrinsic reward expectations cause a person to behave as desired if there is a reward given. This effect is called The Hidden Cost of Reward.

Secondly, social exchange theory sees there are reciprocal relationships between behavior and the environment; when the employee management system has not been implemented optimally in which there are still unfair procedures in the process of promotion, the impact on employee commitment is even given an increase in external reward. The study proves that the basic principle of social exchange is a "distributive justice" rule saying that a reward must be proportional to investment not always valid; but it is precisely procedural justice that perpetuates an exchange relationship.

Lastly, pointing at the characteristics of respondents in which 81% had undergraduate education and 50% of respondents had worked more than 20 years, the need for intrinsic and social rewards is greater than the need for external reward. Even if there is an increase in external rewards, it will still have a negative impact on employee commitment and performance when the type of work they accomplish is below their competence,. This is reflected in the last main function and position of each public sector job is to carry out duties in accordance with the orders of superiors. This rule requires employees to do whatever the boss instructs, even if it has nothing to do with official duties, ultimately creating employee dissatisfaction.

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