

**IMPLEMENTATION OF FULL COST RECOVERY AND PERFORMANCE
BASED REMUNERATION PERUMDA AIR MINUM
TIRTA AMPERA BOYOLALI**

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Abstract: *The implementation of Full Cost Recovery and Performance-Based Remuneration at Perumda Tirta Ampera Boyolali is a real step and best practice in BUMD Drinking Water governance. Tariff adjustments and governance reforms, especially performance-based remuneration, with static performance incentive patterns and dynamic incentives, performance deduction factors, individual performance and group performance and measurement of achievements or performance results. Performance-based remuneration is also followed by an Efficiency Work policy that is expected to reduce water loss (NonRevenue Water/NRW). The results of the tariff adjustment and performance-based remuneration have been positive. Based on 2002 and 2003 performance, there was an increase in performance from 3.12 to 3.39 contributed by service aspects, reduced water loss, increased customer connection water pressure, increased water meter replacement and human resource training. This policy has an impact on a significant increase in local revenue of Rp.493,137,143.50 fulfillment of employee rights which previously the company paid welfare benefits (50%) in 2022, in 2023 it can fulfill 100% welfare benefits, year-end incentives, incentives for Eid al-Fitr and Christmas.*

Keywords: *Full Cost Recovery, Remuneration, Performance*

Abstrak: Penerapan Full Cost Recovery dan Remunerasi Berbasis Kinerja pada Perumda Tirta Ampera Boyolali merupakan langkah nyata dan best practice tatakelola BUMD Air Minum. Penyesuaian tarif dan reformasi tatakelola khususnya remunerasi berbasis kinerja, dengan pola insentif kinerja statis dan insentif dinamis, faktor Pengurang kinerja, kinerja Individu dan kinerja kelompok serta pengukuran capaian atau hasil kinerja. Remunerasi berbasis kinerja juga diikuti kebijakan Kerja Efisiensi yang diharapkan dapat menekan kehilangan air (NonRevenue Water/NRW). Hasil dari pemberlakuan penyesuaian tarif dan remunerasi berbasis kinerja tergambar secara positif. Berdasar Kinerja Tahun 2002 dan 2003, terdapat peningkatan kinerja dari 3,12 menjadi 3,39 disumbang oleh aspek pelayanan,

berkurangnya tingkat kehilangan air, meningkatnya tekanan air sambungan pelanggan, peningkatan penggantian water meter dan diklat sumberdaya manusia. Kebijakan ini berdampak peningkatan Pendapatan Asli Daerah yang signifikan yakni sebesar Rp.493.137.143,50 pemenuhan hak pegawai yang sebelumnya perusahaan membayarkan tunjangan kesejahteraan (50%) pada tahun 2022, tahun 2023 dapat memenuhi tunjangan kesejahteraan 100%, insentif akhir tahun, insentif hari raya idul fitri dan hari raya natal

Kata Kunci: Full Cost Recovery, Remunerasi, Kinerja

INTRODUCTION

Water at least has functions including as a source of life, maintenance and protection, sanitation, and symbols. Water resources have the function of a source of life for all living things in the world. In addition, water also functions as a means of soil conservation or maintenance and protection of soil fertility. Another function is as a means of purification and health. Lastly, heaven is described as a place for people who fear their God, God's mercy in heaven has running water in it.

Indonesia has a very vital role in determining the goals and objectives of sustainable national development or *Sustainable Development Goals* (SDGs), this is clearly stated in the document *Transforming Our World, The 2030 Agenda for Sustainable Development*. In the 2030 agenda for Sustainable Development, the SDGs are a national and global commitment with the aim of seeking the welfare of society consisting of 17 global goals and targets by 2030, this is reflected in the implementation of the declaration made by countries in the world both in the category of developed and developing countries at the general assembly of the United Nations (UN) held in September 2015. Among the 17 declared goals, there is a sixth goal, namely, "Clean Water and Adequate Sanitation". The availability of drinking water facilities and infrastructure is also very important in helping people maintain clean and healthy living behaviors.

BUMD Air Minum has a social role in the process of managing water, besides that the role that is no less important is the role as a regional economic actor (*semi-profit oriented* role of BUMD Air Minum). The social role of Perumda Air Minum in managing water as well as being an economic actor in the region (*semi-profit oriented*) requires BUMD Air Minum to have an obligation to provide well-systemized water management and run its operations professionally through improving service quality.

In the 2022 BUMD Drinking Water Performance Book published by the Ministry of PUPR, Perumda Tirta Ampera Boyolali Regency is ranked 26 out of 35 BUMD Drinking Water in Central Java, with a 2021 Financial Year Value of 2.93 or healthy performance, Service coverage (%) 24.36%, Number of Customers (SL) 63,141, Billing Effectiveness (%) 97.74%, Water Loss Rate (%) 25.10%, Average Tariff (Rp/m³) Rp.5,770.00, HPP with Real NRW (Rp/m³) Rp.5,777.00, Difference between Average Tariff and HPP Real NRW (Rp/m³) -Rp.6,777.00, Difference between Average Tariff and HPP Real NRW (Rp/m³).770.00, HPP with Real NRW (Rp/m³) Rp.5,777.00, Difference between Average Tariff and HPP Real NRW (Rp/m³) -Rp.6.00, with the category Non FCR or FCR is not met.

Perumda Tirta Ampera Boyolali Regency has made efforts in order to support sustainable water services, by adjusting the *full cost recovery* (FCR) tariff, and

developing a remuneration structure system linked to the employee performance assessment system. With these conditions, whether the implementation of *Full Cost Recovery*, efficiency and Performance-Based Remuneration at Perumda Air Minum Tirta Ampera Boyolali runs effectively and efficiently.

THEORETICAL REVIEW

Full cost recovery is achieved when the average tariff is at least equal to the base cost. The base cost is obtained from dividing the total operational costs required to produce drinking water, which consists of water source costs, water treatment costs, transmission and distribution costs, partnership costs, and general and standard costs. (Amalia, et. all, 2023). *Full cost recovery* is needed by companies in setting water tariffs that are optimally utilized by consumers and PDAMs. According to the Regulation stipulated by the Minister of Home Affairs Regulation No. 21 of 2020 article 5 paragraph 1 and 2, full cost recovery (FCR) is intended to cover operational needs based on the calculation of an average tariff equal to the basic cost.

QR1: Can full cost recovery cover the company's operating costs?

The remuneration system includes extrinsic and intrinsic rewards given to employees as a form of encouragement or compensation for completing a task or achieving certain goals (Afrizai, 2024). The purpose of remuneration is to improve employee performance in achieving organizational goals. It is important to keep in mind the view of remuneration and how it can best motivate and improve employee performance. The amount received on remuneration can differ between individuals, organizations. In an effort to implement a remuneration system, organizations must consider various factors and devise a strategy that fits their goals and values.

The meaning of remuneration is broader than just the salary received by employees. Remuneration provides a clearer scope, because the rewards in remuneration can be in the form of money or goods and are given directly or indirectly to employees and are routine or non-routine. It is very important to understand that remuneration is a factor that can affect the main tasks and functions carried out by employees (Kemie, 2020).

The purpose of the remuneration system is to improve the performance of the state apparatus to be more efficient and this system is part of the bureaucratic reform program managed by the government. Performance achievement (Key Performance Indicator) is the basis for remuneration given to employees. In its implementation, employees must sign a performance contract containing targets that must be achieved at a certain time. If remuneration is implemented correctly by the organization, it is expected that there will be a good impact on employees by trying to improve their performance, this increase is expected to provide better service to the community and public satisfaction with organizational performance will also increase. The remuneration system can clarify rewards and *punishments* for employees. The value of remuneration received by employees can be different, depending on the class of position and the performance targets achieved according to the performance agreement, this condition will increase the sense of justice because there is no longer the same salary for employees who perform well with

employees with performance still below their performance targets, because the provision of remuneration depends on their respective performance (Budiman, 2000).

The basis of remuneration is based on *key performance indicators* (performance achievements) signed by each employee on a performance contract with the organization, so that the employee's rights in the form of salary and benefits other than salary depend on the performance of individual employees and groups in the same section. Human resource management (HRM) is one of the most important components in supporting the success of organizational goals (Winarti, 2018). Human resources determine the success of the company in achieving its goals (Daulay, et al., 2019).

Employee performance is the result of work carried out by individual employees when completing the tasks entrusted to each employee, tasks that are carried out in accordance with the expertise possessed, natural skills in completing work, openness in the process of carrying out tasks and timeliness of completion (Desnirita & Sari, 2022). It is hoped that every employee's performance can produce good and improved work quality, the results of work completed according to the standards determined by the organization, this is a major factor in achieving organizational goals (Desnirita & Sari, 2022). This employee performance consists of the work of individual employees or groups in the same field in an organization in accordance with the duties, authorities and responsibilities of each employee in accordance with the laws, morals and ethics that apply to the organization and the community environment (Afandi, 2018).

Employee performance measurement can be done using various data sources such as analysis of organizational records, expert observation procedures and citizen or client survey results (Wasistiono, 2002). Performance measurement aims to be able to assess the efficiency and quality of services to the community, can motivate the bureaucracy to increase the quantity and quality of services to the community, control policy implementation, determine the amount and adjustment of the budget, so that it will encourage the public bureaucracy to focus on community needs and improve service quality. From the explanation above, the research focus is outlined in the question

QR2: Performance-based remuneration can improve individual employee performance

RESEARCH METHODS

Qualitative descriptive research is a research procedure that produces descriptive information and data, in the form of written or oral sentences and behaviors that can be observed on the object of research. This research aims to explain the phenomena that occur and describe them in accordance with the focus of the research problem (Maleong, 2000).

The method in this research is descriptive qualitative method. This method aims to understand the policy phenomena carried out by the research subject in the form of employee and organizational behavior, employee perceptions, employee motivation, organizational actions and others. Holistically, this research is described in the form of words and language in a natural context. Qualitative descriptive

research can be understood as a series of procedures used by researchers to investigate and solve problems that exist in organizations, by describing the condition of the research object based on existing facts.

This research aims to explain a phenomenon in depth by collecting data and interviews with interview guidelines in depth and detail so that there is no wrong information and conclusions in the research. In this study, key informants amounted to 5 (five) people, who are people who have policy-making functions related to remuneration, namely one chairman of the supervisory board, two directors, two remuneration drafting teams. In determining these key informants, it is based on their role in policy making and decisions in providing remuneration.

RESULTS AND DISCUSSION

1. Full Cost Recovery

The results of the 2021 performance evaluation, *Full Cost Recovery*, show that the average calculation of the water tariff is IDR 5,770.36/m³ which is based on the cost of water, for the amount of the standard water source loss rate of 25% is IDR 5,768.79/m³. The value of the cost of water for the actual/real water loss rate of 25.10% is Rp 5,776.26/m³, so that the applicable water tariff has *fully* covered costs (*full cost recovery*) if the cost price with the level or amount of standard water loss is used, but if the cost price with the real water loss rate is used, the revenue has not fully covered costs. The evaluation recommended strategies to achieve full cost recovery, namely by reclassifying customer tariff groups, customer discipline, replacing water meters, increasing pump operating hours and cost efficiency.

In line with the performance evaluation above, the results of external supervision in 2022 also highlighted tariffs, where the evaluation of the tariff of abonement fees and other fees was not carried out regularly. The calculation of the tariff for abonement fees and other fees is carried out in the finance department as the Perumda general treasurer, the average tariff in 2021 of IDR 5,770.36 is still below the cost of water of IDR 5,776.50 or IDR 6.14 lower. In addition, efficiency control has not been carried out on production costs such as employee salary expenses, asset depreciation expenses, electricity, chemicals, fuel, auxiliary materials and maintenance expenses. In addition, the cost efficiency of production targets prepared based on water demand analysis must be realized at least in accordance with the target because if it exceeds the predetermined target it can become a burden in NRW, so that it can affect the base cost will be higher. In the final section, it is described that Perumda has not evaluated the calculation of the FCR drinking water tariff.

The tariff that applies in 2022 is based on Boyolali Regent Regulation Number 49 of 2016 concerning Determination of Drinking Water Tariffs and Customer Groups in the Boyolali Regency Drinking Water General Company. In the regulation, it is explained that the Drinking Water Tariff is a Drinking Water service tariff policy set by the Regent in each use of cubic meters (m³) or with other units of volume of use provided by Regional-Owned Enterprises, which must be paid by each customer. As for the use of each cubic meter (m³), the use is regulated between 1-10 m³, 11-20 m³, 21-70 m³, and >70 m³. Then the tariff

for customers of Perumda Air Minum Tirta Ampera Boyolali Regency is grouped into four.

Based on the above prices and groupings, the final FCR calculation for 2022 is carried out as follows:

$$\begin{aligned} \text{Cost of water} &= \frac{\text{Total Operating Expenses}}{\text{Total production} - (\%NRW \times \text{Total Production})} \\ &= \frac{\text{Rp. 55,890,802,152.22}}{\text{Rp. 9,419,174.25}} \\ &= \text{Rp. 5,933.73} \end{aligned}$$

So the cost of water with a maximum NRW of 25% (standard) is Rp. 5,933.73, then calculate the real cost of water NRW

$$\begin{aligned} &= \frac{\text{Rp. 55,890,802,152.22}}{\text{Rp. 9,335,029.63}} \\ &= \text{Rp. 5,987.21} \end{aligned}$$

So it can be seen that the Average Tariff of Rp. 5,874.70 - NRW real cost of water of Rp. 5,987.21 is - Rp112.51 or No FCR in other words *Full Cost Recovery*, is not fulfilled, which is the water tariff set by the PDAM does not support the needs of operational costs, this is based on the calculation of the average tariff with the basic costs incurred by the company.

Tariff adjustments carried out in 2023, based on the Boyolali Regent Regulation of Central Java Province Boyolali Regent Regulation Number 9 of 2023 concerning Drinking Water Tariffs at the General Regional Drinking Water Company Tirta Ampera Boyolali Regency. This is done in an effort to improve services by adjusting the increase in several components of operational and maintenance costs at the Boyolali District Tirta Ampera Drinking Water General Company, it is necessary to determine and determine water tariffs based on groups or classes of customers of the Boyolali District Tirta Ampera Drinking Water General Company. Tariff adjustments are not made for Group I, which consists of the General Social group, Special Social group and Household group. Tariff adjustments were made specifically to Group II and Group III. The calculation is carried out by simulation so that it is expected that *Full Cost Recovery* can be fulfilled from the average value of the applicable water tariff is able to fully cover costs if using the cost of goods at the standard and real water loss rates based on the previous year's usage volume.

The calculation of FCR after the Tariff Adjustment made in 2023, which is done at the end of the service year is as follows:

$$\text{Cost of water} = \frac{\text{Total Operating Expenses}}{\text{Total production} - (\%NRW \times \text{Total Production})}$$

Total production - (%NRW x Total Production)

$$\begin{aligned} & \text{Rp. 61,218,333,292.34} \\ & = \text{-----} \\ & \text{Rp. 9,369,272.39} \\ & = \text{Rp. 6,515.17} \end{aligned}$$

So the cost of water with a maximum NRW of 25% (standard) is Rp. 5,933.73, then calculate the real cost of water NRW

$$\begin{aligned} & \text{Rp. 61,218,333,292.34} \\ & = \text{-----} \\ & \text{Rp. 10,050,839.68} \\ & = \text{Rp. 6,090.87} \end{aligned}$$

So it can be known that the Average Tariff of Rp.6,233.23 - NRW real cost of water of Rp.6,090.87 is Rp142.26 or has met the FCR.

2. Implementation of Performance-Based Remuneration

Perumda Air Minum Tirta Ampera has at least 9 Decisions of the Board of Directors related to Salaries and Benefits from 2011 to 2016. The board of directors' decisions regarding employee benefits include:

- a. Year 2011 Position Allowance
- b. Year 2011 Housing Allowance
- c. Year 2011 Drinking Water Allowance and Fixed Expenses
- d. Year 2011 Welfare Allowance (TKHT)
- e. Year 2012 Family Allowance
- f. Year 2012 Performance Allowance
- g. Year 2013 Rice Allowance
- h. Year 2014 Company Allowance
- i. Year 2016 BPJS Employment Pension Insurance

In line with the spirit of bureaucratic reform, through the remuneration pattern, all of the above decisions are removed, by issuing a Board of Directors Regulation of the Boyolali Regency Tirta Ampera Drinking Water General Company concerning Remuneration of the Boyolali Regency Tirta Ampera Drinking Water General Company.

This is done in the context of the effectiveness of the preparation of legal products of the Boyolali Regency Tirta Ampera Drinking Water General Company and the smoothness of administrative order, it is deemed necessary to revoke the Decree of the Board of Directors regarding the rules for providing allowances for employees within the Boyolali Regency Tirta Ampera Drinking Water General Company, which are divided into the following categories

Basic salary, basic allowance 1 (basic salary, wife/husband allowance, position/structural allowance, executive allowance, housing allowance, drinking water allowance, performance allowance, and company allowance) and basic allowance 2 (child allowance, rice allowance, tax allowance, jamsostek allowance,

BPJS health allowance, DPLK allowance, BPJS employment allowance, KHT allowance).

Performance incentives are divided into two static incentives Static incentives consist of incentives for experience and length of service, incentives for positions held, work risk incentives, emergency incentives. dynamic performance incentives, the amount of dynamic incentives based on indicators of assessing the role of financial and goods management, the role of planning and preparing work programs, the role of procurement of goods and services, the role of increasing the efficiency and quality of services, other roles that amount per indicator.

The static incentive deduction factor is influenced by static attendance (40%) Permission is deducted 2.5% of 40% static incentive without explanation 5% of 40% static incentive. Late equal to accumulated in 1 month more if 450 minutes deducted equal to 1 day permission.

Dynamic incentive deduction factor Performance (60%) Individual Performance (60%). Performance is taken from the assessment of target achievement: The main tasks and functions in SOTK or the daily activities of each employee, and the Performance Assessment Indicators of the Water Supply System Development Support Agency (BPPSPAM).

Performance Outcomes consist of (60%) Individual Performance in which there is Group Performance (40%) Group performance is divided into 2 namely Parent Employees and Units. Parent employees consist of Average Branch Head 1,2,3 (40%), Consolidated NRW (30%), Consolidated FCR (30%). The unit employees consist of NRW (50%) and FCR (50%).

Achievements or performance results, divided into four predicates, namely the first best predicate, the average achievement is more than equal to 91% (ninety percent). The second predicate is sufficient, the average achievement is more than equal to 81% (eighty-one percent) to less than 91% (ninety-one percent). The third predicate is less, the average achievement is more than equal to 71% (seventy one percent) to less than 81% (eighty one percent), and the fourth predicate is very less, the average achievement is less than 71% (seventy one percent).

3. Performance agreement

In line with the remuneration policy above, in order to improve the efficiency and quality of services, performance agreements are made with the ranks of the organization to individuals related to improving efficiency and quality with the Decree of the Board of Directors. Through SPI, supervision and monitoring as well as coordination with related sections regarding performance results every month, are carried out in order:

- a. Make efforts in order to achieve the performance that has been set in the RKAP;
- b. Strive to accelerate the reduction of *NonRevenue Water* (NRW).
- c. Monitoring and evaluation of each *District Metered Area* (DMA);
- d. Ensure a decrease in *NonRevenue Water* (NRW);
- e. Conduct step tests on *District Metered Areas* (DMA) that are indicated to have high *NonRevenue Water* (NRW);

- f. Evaluate efficiency activities in all areas, such as chemical usage; electricity usage at raw water sources/production and distribution pumps; production and distribution pumps; and ensure production efficiency and effectiveness.

The above is expected to reduce NonRevenue Water (NRW) both due to damaged customer water meters, damaged distribution pipe installations by replacing old and leak-prone transmission and distribution pipes, and replacing damaged customer water meters.

4. Performance Progress During 2023

Performance progress during 2023 after the implementation of tariff adjustments and performance-based remuneration is positively illustrated, where there is an increase in revenue of Rp.3,642,176,628.47 and cost efficiency of Rp.1,298,913,970.38 as well as an increase in profits of Rp.4,941,090,598.85 and an increase of 422 new connections, as shown in table 1.

Table 1 Compilation of plan and realization in 2023

Description	Plan	Realization	Difference
Revenue	65.559.233.473	69.201.410.101	3.642.176.628
Expenses	62.467.070.363	61.168.156.393	1.298.913.970
Profit/Loss	3.092.163.109	8.033.253.708	4.941.090.598
NRW			-
FCR			-
New Samb Stamp	2.212	2.634	422

Source: *data processed, 2024*

The compilation of average performance improvement during 2023 performance improvement per month Revenue of Rp.104.618.857,00, Expenses reduced by Rp.352.712.849,38, Profit / Loss increased by Rp.457.331.706,38, NRW decreased -2.7, FCR met by Rp.318 and Achievement of New Connections average 183/184 per month, as table 2

Table 2 Compilation of plan and realization in 2023

Description	Plan Average	Real Average	Difference
Revenue	5.463.269.456	5.567.888.313	104.618.857
Expenses	5.205.589.196	4.852.876.347	352.712.849
Profit/Loss	257.680.259	715.011.965	457.331.706
NRW	22	20	-2,7
FCR	(385)	318	703,24
New Samb Stamp	184	183	-,89

Source: *data processed, 2024*

Based on the two tables above, both the compilation of plans and realizations and the compilation of average performance improvement during 2023, it can be seen that the application of performance-based remuneration with performance agreements has positively improved performance. The Board of Directors finds it easier to monitor monthly performance and conduct evaluations for the following month on current performance achievements, as

well as the heads of sections and units, understand performance achievements (*key performance indicators*) and make better efforts based on performance contracts both for individual employees and groups (units, sections, directors). Employees are considered to have improved performance, which will have an impact on community service to improve for the better. The provision of bonuses for performance and the existence of deduction factors is a *reward* and *punishment* system that is implemented, this will also have an impact on the value of the amount of remuneration by each employee depending on the performance achieved.

5. Company Performance Achievements

Based on the Comparison of Performance in 2002 and 2003, in accordance with the provisions in article 59 of Permen PU No.18/PRT/M/2007, in accordance with the Decision of the Supporting Agency for the Development of Drinking Water Supply Systems (BPPSPAM) No. 002/KPST/K-6/IV/2010, concerning PAM performance guidelines, there was an increase in performance from 3.12 to 3.39, especially contributed by the operating aspects, namely, the Water Loss Rate from score 4 with a value of 0.28, increased to score 5 with a value of 0.35. Customer Connection Water Pressure from score 4 with a value of 0.26, increased to score 5 with a value of 0.33. Water Meter Replacement from score 3 with a value of 0.20, increased to score 4 with a value of 0.26. Finally, Training Costs against Employee Costs from score 1 with a value of 0.04, increased to score 3 with a value of 0.12.

There is a significant increase in PAD of Rp. 493,137,143.50, from Rp. 2,387,572,918.75 in 2022 to Rp. 2,880,710,062.25 in 2023. In addition, in 2022 the company can only pay welfare benefits (50%) of Rp.614,370,238. As for 2023, the company can fulfill welfare benefits of Rp.1,292,801,381, year-end incentives of Rp.1,273,171,935, Eid incentives of Rp.1,286,016,239, and Christmas holidays of Rp.1,282,234,435. The following is data on the increase in PAD from 2009 to 2023. Here are the details of PAD for the last seven years:

- a. Year 2018 amounted to Rp. 1,725,236,391.00
- b. Year 2018 amounted to Rp. 2,310,062,234.00
- c. Year 2019 amounted to Rp. 2,701,560,085.50
- d. Year 2020 amounted to Rp. 2,343,634,450.74
- e. Year 2021 amounted to Rp. 2,178,201,321.49
- f. Year 2022 amounted to Rp. 2,387,572,918.75
- g. Year 2023 amounted to Rp. 2,880,710,062.25

In 2022, employee rights, including welfare benefits, were only paid 50% without year-end incentives and holiday incentives. However, in 2023, with remuneration all employee rights are fulfilled and there is even a performance bonus for efficiency and performance achievement.

The effect of individual and group work in carrying out the main tasks and functions assigned, based on employee expertise, employee skills, openness of implementation, and timeliness are important factors that affect the achievement of organizational goals. The results of individual or group work that are clearly illustrated through monthly performance measurements, in accordance with authority and responsibility, become a driver of performance

improvement. From the explanation above, it can be seen that performance measurement can determine the efficiency and quality of services, motivate employees to improve service quality and improve service quality continuously.

CONCLUSIONS

The implementation of *Full Cost Recovery* and Performance Based Remuneration at Perumda Air Minum Tirta Ampera Boyolali in 2003 in an integrated manner is a real step and *best practice* in the governance of BUMD Drinking Water. Tariff adjustments were not made to the General Social group, Special Social group and Household 1 group, or in other words done specifically to Groups II and III. Simulation calculations are carried out in the hope that *Full Cost Recovery* can be fulfilled, this fulfillment is obtained from the average value of the applicable water tariff, which is able to cover the full cost if the use of cost price is carried out, but with the assumption that the level of standard and real water loss is based on the volume of use of the previous year.

This tariff adjustment is followed by governance reforms, especially the implementation of performance-based remuneration, with static performance incentive patterns and dynamic incentives, performance deduction factors, individual performance and group performance and measurement of achievements or performance results. Performance-based remuneration is also followed by Perumda's Efficiency Work policy which is expected to reduce *NonRevenue Water (NRW)* both caused by damaged customer water meters, damaged distribution pipe installations by replacing old and leak-prone transmission and distribution pipes, and replacing damaged customer water meters.

In its implementation, the performance progress during 2023 after the implementation of tariff adjustments and performance-based remuneration is positively illustrated, where there is an increase in revenue of Rp.3,642,176,628.47 and cost efficiency of Rp.1,298,913,970.38 and an increase in profits of Rp.4,941,090,598.85 and an increase of 422 new connections above the initial planning.

Based on the Comparison of Performance in 2002 and 2003, there was an increase in performance from 3.12 to 3.39 mainly contributed by the quality of customer water in the service aspect, reduced water loss rate, increased Customer Connection Water Pressure, increased Water Meter Replacement and human resource training.

There is a significant increase in PAD of Rp.493,137,143.50, from Rp.2,387,572,918.75 in 2022 to Rp.2,880,710,062.25 in 2023. In addition, in 2022 the company can only pay welfare benefits of 50%. As for 2023, the company can fulfill welfare benefits such as, year-end incentives, Eid al-Fitr incentives, and Christmas holidays.

The implementation of *Full Cost Recovery* and Performance-Based Remuneration at Perumda Air Minum Tirta Ampera Boyolali in 2003, which is able to encourage the company's performance above, should continue to be developed, especially the technical tariff policy, where adjustments have been made to the reclassification of customer tariff groups, to be of particular concern for tariffs that have not been adjusted so that there is no excessive gap on service users. This policy

should be followed by improving the quality of service by controlling customers, replacing water meters, increasing pump operating hours and cost efficiency.

Performance-based remuneration technical policies, especially Incentives which are divided into two incentives Static (40%) and Dynamic Incentives (60%) where in Performance (60%) Individual Performance there is Group Performance (40%) Group performance is divided into 2 namely Parent Employees and Units, which contain Consolidated NRW Achievements (30%), Consolidated FCR (30%) as a performance binder, on an ongoing basis can be adjusted in percentage for better performance improvement.

Special efficiency measures are carried out in order to improve the efficiency and quality of services through the Technical Team for Efficiency and Quality Improvement, to be improved by recording, controlling and periodic reporting on efforts to accelerate the reduction of NonRevenue Water (NRW), Monitoring and evaluating each District Metered Area (DMA), Ensuring a decrease in NonRevenue Water (NRW), Conducting step tests on District Metered Areas (DMA) which are indicated to have high NonRevenue Water (NRW); and Evaluate efficiency activities in all areas, such as chemical usage; electricity usage in raw water sources/production and distribution pumps; production pumps and distribution pumps; and ensure production efficiency and effectiveness.

In addition, it is expected that efforts to reduce *NonRevenue Water (NRW)* both caused by damaged customer water meters, damaged distribution pipe installations by replacing old and leak-prone transmission and distribution pipes, and replacing damaged customer water meters can be carried out in a structured manner.

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