Research Article
Analysis of Factors Affecting Compensation in Companies

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Abstract: The purpose of this study was to examine the elements that influence the providing of remuneration in a business. This study employs a qualitative research methodology in conjunction with a descriptive system. Primary and secondary data are used in this investigation. This study collected data by observation, in-depth interviews, and a review of the literature. This research is being conducted on company X in Makassar, which is in the convection business. The researcher employed purposive random sampling, or the sampling approach, in this study, taking into account the researcher's considerations. Meanwhile, the respondents in this study amounted to 50 employees and interviews were conducted with the head of staff of the Human Resources section, totalling 10 people. Based on the study results, it can be concluded that three factors influence the provision of compensation to employees of company X; the three factors are the experience factor, the promotion factor and the work performance factor.

Keywords: Analysis, Compensation, Company.

A. INTRODUCTION

One of the primary keys to the growth and development of an organization is human resources. Quality and professional human resources are needed (Olson et al., 2018). In managing human resources, it must be following applicable norms, which will give a sense of justice to the people involved. After carrying out their burdens and responsibilities, of course, employees have the right to fulfil their needs (Tohidi, 2011).

Compensation or pay schemes often seek to align the organization or company's and employees' interests. To accomplish objectives and ensure mutual satisfaction, compensation schemes should be created in accordance with fair and reasonable principles, applicable labor regulations, and taking into account internal and external circumstances (Ozkeser, 2019).

When establishing and executing a compensation system, the organization's and employees' interests must be considered. Employee interests must be considered in the sense that compensation for services performed to the organization must be sufficient to sustain the organization's dignity and worth. This compensation allows him to maintain a reasonable and decent standard of living to meet his needs (Zaid et al., 2019). The interests of the organization must be guaranteed in the sense that through mobilizing the capabilities, knowledge, skills, time and energy of its workers, the organization can achieve its goals and objectives, which in turn enable the organization not only to maintain its existence but also to grow and develop (Bagdadli & Gieneccini, 2019).

The corporate world is now expected to foster strong employee performance in order to sustain firm growth. Businesses must develop and enhance their performance in their surroundings (Waluyo et al., 2019). Numerous elements influence a business's success; one critical factor is human resources, as human resources are actors at all levels of planning who analyze who can utilize additional resources owned by the organization or business (Sugiyanto et al., 2018).
Human resources are critical to a business's success. The workforce possesses exceptional potential for conducting business activities. Every human resource in the organization must be utilized to its full potential (Waluyo et al., 2019; Sugiyanto, 2018). The success of the company's objectives is contingent upon current equipment, fully functional facilities, and infrastructure, as well as on the people who perform the task. Individual employee performance has a significant impact on an organization's success. Every organization or business will always strive to increase employee performance in the hope of achieving the firm's objectives.

The corporation improves employee performance in a variety of methods, including education, training, giving enough compensation, establishing a favorable work atmosphere, and offering encouragement. Employees are expected to optimize their obligations through these processes because they have received education and training that are definitely relevant to the execution of their work. Meanwhile, salary, a positive work environment, and motivation are all employee rights, and the corporation must support its employees' efforts to attain the established goals.

Compensation itself can be understood as an essential function of HR Management science because balance is one of the most sensitive aspects of the working relationship containing compensation issues and various related aspects such as benefits (Aryanto et al., 2015; Handoko et al., 2015). In practice, many companies still do not adequately understand the compensation system. The compensation system helps reinforce the organization's critical values and facilitates the achievement of organizational goals. Compensation is crucial for employees and crucial for the company itself. The compensation program reflects the organization's efforts to maintain human resources (Gerasimov et al., 2019; Lin et al., 2017).

Indonesia's economic development in 2019 is measured by GDP based on constant prices in 2012, which reached IDR. 10,722.4 trillion. The Indonesian economy in 2019 experienced a decline (contraction) of growth by 2.07 per cent compared to the previous year. If we look at last year, in 2010, GDP at constant prices in the textile industry reached IDR. 134.4 trillion, but from 2018 to 2019, it experienced a decline that peaked at declining growth in 2015. The development of apparel production from 2011 to 2019 is presented in the following figure:

Figure 1. Convection Production Growth from 2011 to 2019
Source: Lokadata

Based on this data, it can be seen that the large and medium convection industry achieved the highest production growth compared to other sectors during the first quarter of
2019 with a figure of 29.19 per cent compared to the first quarter of the previous year. Meanwhile, the q-t-q of the convection sector has a growth of 8.79%, which is the highest number after the industry in the furniture sector. The object of this research is Company X, located in Makassar city and is engaged in the convection industry. The company's employee payroll is carried out every 1st; the company carries out the process without the help of other parties in distributing salaries to employees. Employees collect salaries directly to the company's Human Resources office. This system is carried out only for permanent employees, while employees who have contract employee status are paid through the dispense method.

Employees who have the right to retire from company X have status as permanent employees aged 56 years; they are only entitled to receive their total pension funds. If the employee dies while working for less than 10 years, the pension fund will not come out until 10 years of work. Children from retirement, Company X will provide funds until the child is married or already working, funding in terms of health. The retirement process at Company X, a year before retirement, will go on extended leave; during this leave, the employee no longer works but still gets his monthly salary until retirement. During the considerable leave period, the employee must send a pension application letter to the Ministry of Social Affairs.

This compensation encourages motivation, which arises from the cause to work with more optimal abilities (Digdowiseiso & Sugiyanto, 2018; Waluyo et al., 2019). This is because compensation is a source of income for workers and their families. Compensation is also an illustration of social status for employees (Sugiyanto, 2017). The level of income is very influential in determining the standard of living. Compensation given to employees is adequate on work results. Companies that choose the level of wages are reluctant to consider usual living standards, which will allow employees to work with entire motivation (Sugiyanto & Digdowiseiso, 2017; Sugiyanto et al., 2018). This is because employees' work motivation is much influenced by whether or not the minimum needs of the lives of employees and their families are met. Therefore, researchers are interested in analyzing the various factors that encourage the provision of compensation for company X.

B. LITERATURE REVIEW

1. Compensation

Compensation is complex and challenging because it involves the basis of feasibility, logic, rationality, and accountability and involves emotional factors from the workforce aspect (Macke & Genari, 2019). Compensation motivates the workforce to improve work performance, production efficiency, and effectiveness. Compensation is everything employees receive as compensation for their work (Sugiyanto & Sitohang, 2017).

Several factors affect the provision of compensation, including the following: a) The supply and demand for labour are for jobs that require high skills, and the number of workers is scarce, wages tend to be high. Meanwhile, for positions with abundant supply, wages tend to fall; b) Labor organization is the existence of a strong labour union, which means that the bargaining position of employees is also strong, it will increase the level of wages, and vice versa; c) The ability to pay is that although the union demands high wages, in the end, the realization of salaries will depend on the company's ability to pay. If the increase in production costs results in a loss to the company, it is clear that the company will not fulfil employee facilities; d) Productivity is an achievement usually expressed as productivity. Unfortunately, there is no agreement in calculating productivity; e) The cost of living is in big cities where the cost of living is high, wages also tend to be high. However, it seems that the cost of living is a limit to the wages received by employees; and f) The government is a government whose regulations also affect the level of salary (Hossain & Roy, 2016).
Compensation, according to Iwamoto & Takahashi (2015), is what a worker receives in exchange for the task he performs. Both hourly and periodic compensation were set and maintained by the personnel department. The findings of this study were corroborated by another study done by Mishchuk et al. (2016), which determined that remuneration includes all revenue in the form of money commodities received by employees directly or indirectly in exchange for services rendered to the company. There are two types of compensation: direct payment in the form of salaries/wages and incentives—indirect compensation (indirect compensation or employee welfare).

2. Forms of Compensation

The compensation system is applied to all occupations, from manual labour to professional jobs. Compensation in an organization aims to assist the organization in realizing long-term success. Compensation is rights that employees must receive as rewards or compensation after carrying out their obligations (Starr et al., 2018). Compensation is defined as everything received by employees in exchange for their effort or service. Compensation is a complex issue in a business, but it is critical for both employees and the organization. Compensation for employees must be justified logically and rationally. Emotional and human components, on the other hand, should not be overlooked (Antamoshkina et al., 2019).

In its distribution, compensation is divided into two general forms: the direct form, which is wages and salaries, and the indirect forms of payment, which are services and benefits. Salary is paid in the form of money for work services or money usually paid to employees on an hourly, daily and half-day basis. Meanwhile, salary is the money paid to employees for services provided every month, while benefits are direct financial (monetary) values for employees that can be determined quickly (Sensuse et al., 2015). At the same time, service is the value of direct (monetary) benefits for employees that cannot be readily determined (annual report).

Compensation relates to the need for interaction and other people. Social remuneration can take the form of recognition as an expert in their profession, recognition for accomplishments and promotions, tenure security, recreation, formation of decision-making groups, and membership in specific groups designed to address organizational/company challenges. Compensation for activity is provided as a reward for doing duties that are disliked by offering compensation for the activity in addition to training and personal development. Efforts to improve the work and morale of employees in a company must go through several ways (Cheresova et al., 2015). Companies that want to form solid and close relationships with employees must pay attention to consideration of needs and adjust compensation to employee needs by paying attention to their productivity working in the company (Rodriguez et al., 2018).

3. Factors Affecting Compensation Policy

The structure and level of salary/wages are influenced by many factors, both from within the organization and external factors. Each organization may respond to these factors with different compensation management formulations. The management and reward system should be reviewed periodically and, if necessary, modified or adapted to the dynamics of the environment to ensure that fair and equitable rewards can be realized. Several factors that influence the compensation are: a) The prevailing wage and salary levels; b) the demands of trade unions; c) Productivity; d) Organizational policies regarding wages and salaries; and e) Legislation (Lendzion, 2015).
The general level of wages and salaries means a shortage of workers who have special knowledge and skills, which can happen at all levels of positions and occupations. For example, the automotive industry is developing very rapidly, the demand for skilled welders may soar to demand to obtain high levels of salary and wages (Pasaoglu, 2015).

The demands of the trade unions mean that the unions’ orders need to be taken into account; otherwise, the workers will carry out various activities that ultimately harm management, such as slowing down the production process, high absenteeism rates and going on strike. Productivity means that if workers feel that they are not getting fair rewards, it is very likely that they will not work hard (Afandi, 2016).

The organization's policy regarding wages and salaries means that it is the basic salary that is most important but other components such as office allowances, wife allowances, child allowances and transportation allowances, and legislation means that the government has an interest in the employment sector. For example, the level of minimum wages, overtime wages, employing women, employing minors, work safety, leave rights and so on (Waluyo et al., 2019).

C. METHOD

This study employs a qualitative research methodology in conjunction with a descriptive system. Primary and secondary data are used in this investigation. This study collected data by observation, in-depth interviews, and a review of the literature. This research is being conducted on company X in Makassar, which is in the convection industry. Purposive random sampling was utilized in this study, which is a sampling strategy that takes the researcher's considerations into account. Meanwhile, this study surveyed 50 employees and conducted interviews with the director of the Human Resources section, a total of ten people. Data analysis and presentation techniques use qualitative research approaches that reveal certain social situations by correctly describing reality, formed by words based on relevant data collection and analysis techniques obtained from factual situations (Horwitz, 2015).

D. RESULT AND DISCUSSION

In the organization, Human Resources is defined as a particular element. In this case, it is the Nongsa District employee. It is considered a specific element because new human resources will be encouraged to work and increase their productivity if their various needs ranging from physical conditions (such as clothing, food, shelter), security needs, and social needs are well met. Regarding the factors that influence the provision of compensation, based on the results of interviews with employees of company X, it is known that balance is essential. 6 factors affect the condition of payment to employees.

1. Experience Factor

Experience means a person’s expertise in work. From the study results, it is known that in government agencies and private companies, there are differences in determining employee compensation. Experience is not included in the factors that affect company X. Experience is stated to be more appropriate for private companies because, in private companies, employees’ expertise according to their fields is prioritized.

Old employees who already have work experience are different from employees who have just finished their education. Employees like this generally do not understand the intricacies of the actual work that exists within the organization. These employees also usually have minimal work experience because what they got previously was generally only theory or not yet qualified in operating machines.
Older employees who previously worked for the company still need to be given the training to provide more significant opportunities to increase creativity and experience; this will encourage increased compensation. Meanwhile, new employees need to be given continuous HR development and training programs to adapt and become an essential part of the organization that facilitates and supports them optimally in their work.

Efforts to create good employee performance are not easy because, in reality, there are still many workers who have not mastered their management skills and expertise in their work. The causes include work experience; work experience is one of the keys to increasing productivity. Because if someone has enough work experience, that experience becomes capital for the employee's future. However, there are still many employees who do not have sufficient work experience, so these employees still need time to adjust to their work. From the lack of work experience possessed by an employee, when the employee works instead of increasing the number of products produced, there will be a decrease in the effect caused by the product not following the standards set by the company because the employee does not understand or is not proficient at operating machines or tools used—used while he was working. As a result of this incident, the company must provide teaching staff to train these employees to understand every job they will do. Besides requiring time for training, the company also has to pay for the training activities so that these activities reduce the company's profit.

Employee work experience illustrates the mastery of knowledge and skills possessed by an employee at work, which can be measured from the period of service and type of employee work. The term of service is how long an employee has worked, while the kind of work includes the creation and positions that the employee has carried out. The duration of service is the length of time an employee donates his energy to a particular company. However, the longer the working period of the employees with fewer employees, the result is a lack of work experience for employees in the company. The work experience possessed by employees will also determine the jobs and positions accepted. The position development experienced by an employee only occurs when an employee undergoes a learning process and gets personal experience. With this, it is hoped that employees have a vision for the future and have adequate knowledge that can be used to improve their work skills.

Given the importance of working in a company, it is also essential to consider the factors that affect work experience. According to Hani Handoko (2018), the following elements influence job experience: a) Education, courses, training, and employment comprise one's personal background. To demonstrate what someone has done previously; b) Talent and interest, to determine one's level of interest, certainty, or ability; c) Attitudes and needs, to forecast one's responsibilities and authority; d) Analytical and manipulative skills, to develop judgment and analysis skills; and e) Technical skills and abilities, to determine one's ability in technical aspects of the job.

In assessing work experience, company X provides several indicators to assess these factors, including the following: a) Duration of time/period of employment. A time or duration of work taken by someone who understands and performs well on assigned duties; b) The amount of knowledge and skills possessed. Knowledge encompasses concepts, principles, methods, policies, and any other information required by personnel. Additionally, learning encompasses the capacity to comprehend and apply information to job obligations. While abilities refer to the physical abilities required to complete a task or job; and c) mastery of work and equipment. The degree to which an individual is proficient in executing technical aspects of equipment and job practices.
2. Job Promotion Factors

Macke & Genari (2019) explains that promotion is the transfer of an employee or employee from one position or place to a higher position or business followed by duties, responsibilities, and authorities that are higher than the previously occupied position. Meanwhile, according to Mishchuk et al. (2016), promotion is the transfer of a person to a higher level of work and compensation is included in the selection process. Furthermore, research conducted by Olson et al. (2018), promotion is a move that increases the authority and responsibility of employees to higher positions in an organization so that their obligations, rights, status and income are more significant.

The level of rank or class is also a factor of consideration to increase the compensation received by a person. The provision of payment based on position, style, and length of work will undoubtedly affect the work attitude of employees. The work and responsibilities carried out by a person are considered to determine the size of the compensation he receives. This means that employees who have workloads and responsibilities more excellent than others certainly have the more significant reward. And vice versa for those with a smaller workload and responsibilities, the payment is also relatively lower. After distributing responses to employees regarding promotions, the following results were obtained:

<table>
<thead>
<tr>
<th>Description</th>
<th>Evaluation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honesty at work</td>
<td>3.35</td>
<td>Honesty at work is good enough to qualify for the promotion</td>
</tr>
<tr>
<td>Honesty in carrying out tasks</td>
<td>3.11</td>
<td>Honesty in carrying out duties is good enough to meet the requirements for granting a promotion</td>
</tr>
<tr>
<td>Discipline at work</td>
<td>3.12</td>
<td>Discipline in work is good enough to meet the requirements for promotion</td>
</tr>
<tr>
<td>Adhere to procedures and regulation</td>
<td>3.56</td>
<td>Employees comply with procedures and regulations properly to get promotions</td>
</tr>
<tr>
<td>Finish the job with the team</td>
<td>3.03</td>
<td>Employees are good enough to complete the work with the team so that the work can be completed quickly</td>
</tr>
<tr>
<td>Work according to the job description</td>
<td>3.82</td>
<td>Employees work according to the job description well to support the provision of promotions</td>
</tr>
<tr>
<td>Achievement of work performance</td>
<td>3.08</td>
<td>Achievement of work performance is good enough to meet the requirements for granting a promotion</td>
</tr>
<tr>
<td>Work performance appraisal</td>
<td>3.11</td>
<td>Assessment of work performance is good enough to meet the requirements for promotion</td>
</tr>
<tr>
<td>Innovate in tasks and work</td>
<td>3.14</td>
<td>Innovate in tasks and work well enough to qualify for the promotion</td>
</tr>
<tr>
<td>Completion of work quickly and neatly</td>
<td>3.07</td>
<td>Employees complete work quickly and neatly quite well.</td>
</tr>
<tr>
<td>Communication skills</td>
<td>3.15</td>
<td>The employee's communication skills are good enough to qualify for a promotion</td>
</tr>
<tr>
<td>Ability to receive and provide</td>
<td>3.67</td>
<td>Employees receive and provide information</td>
</tr>
</tbody>
</table>
Based on Table 1, the recap results on promotions mean that the average value is quite good. Thus, it can be interpreted that employees understand the company's assessments quite well. Meanwhile, to obtain a promotion, employees must meet the requirements and procedures of the company. This is what ultimately makes employees motivated to improve their work performance continuously.

Based on the study results, it is known that the level of position affects the compensation for employees of company X. At each level of function, of course, the amount of payment received will also be different. However, this does not apply to contract employees because there is no rank (class) for honorary employees.

3. Work Performance Factor

Work performance is also understood as a result of work achieved by employees in organizational units according to employee work goals and work behaviour. Work targets are work plans and targets to be completed by an employee. From the work performance factor, from the interviews, it is known that one form of compensation is in the form of promotions. Apart from advertising, there are also other awards for employees. In coaching employees who have demonstrated achievement, competence, ability, cooperation, and good morals and attitude in carrying out their duties, it is necessary to give awards. For example, the selection of exemplary employees and door prizes to increase employee morale in the company environment.

Each part of the company has its role, following the main tasks, functions, authorities, and responsibilities determined previously. The head of the company's Human Resources management staff explained differences in compensation between permanent employees and company contract employees, for example, in terms of salary components. Based on research in Nongsa District, it is known that the members of salary received by permanent employees consist of: a) Basic Salary, Basic salary is paid to employees periodically every month as long as the person concerned works as a permanent employee; b) Family allowance for husband or wife and children; c) Income change allowance consisting of general and
additional allowances; d) position allowance; e) necessities allowance; f) special tax allowances, and 8) taxpayer allowance.

E. CONCLUSION

Based on the study results, it can be concluded that three factors influence the provision of compensation to employees of company X; the three factors are the experience factor, the promotion factor and the work performance factor. Employees who have good performance will undoubtedly get reasonable compensation. Vice versa, with appropriate balance, of course, can increase employee morale so that the company can continue to grow and expand the company's valuation in the long term.

REFERENCES


