

JOB GRADING METHOD ANALYSIS AS A BASIS FOR DETERMINING COMPENSATION SYSTEMS IN SMEs

**Ilham Gustyantoro, Helmy Fauzan Wijaya, Naufan Akbar Darmawan, Ananda Putra
Hermawan, Dwi Ananda Cesario**

Fakultas Ekonomi dan Manajemen

Email: ilhamgustyantoro@apps.ipb.ac.id, wijayafauzanhelmy@apps.ipb.ac.id,
akbarnaufan@apps.ipb.ac.id, anandaputra@apps.ipb.ac.id, sirio30cesario@apps.ipb.ac.id

Abstract

Most employees accept a job because of the compensation offered to them. Employees are generally motivated to put more effort into their work when they feel that their work gives them the things they value. The object of this research is SME XYZ which is engaged in the culinary industry, especially bread production with a total of 20 employees. This study uses a descriptive method with a qualitative approach to uncover compensation management in bread producers. Data collection was carried out using interview instruments. The location of this research was carried out on XYZ SME which is a bread producer in DKI Jakarta, the research was carried out from August 2021 to September 2021. The resource persons in the study were the Owner of SME XYZ and all employees of SME XYZ. Analysis of research data carried out in this study was by means of a single case analysis, starting from determining the research subject, determining data sources, data collection, data analysis, drawing data reduction, drawing conclusions and compiling research reports on compensation management in XYZ SMEs. The compensation system in SME XYZ is analyzed using job grading method based on the weight and value of the position. The results of the analysis that have been conducted state that there are 3 levels in the salary grade of UKM XYZ using the Given Grade method, whereas if using the Min Max method there are 4 levels.

Keywords: compensation management; job evaluation; job grading

Received 20 November 2021, Revised 30 November 2021, Accepted 10 December 2021

Introduction

Compensation management is one of the most fundamental human resource practices in management and an important subject in the general field of management. This is important because of the fact that most and almost all employees accept a job because of the compensation offered to them. Employees are generally motivated to put more effort into their work when they feel that their job gives them the things they value. Since one of the main goals of any organization is to maximize profits, organizations are constantly trying to ensure that employees are satisfied with their jobs to

enable them to put forth their best efforts for the organization. Very often, organizations use compensation management systems to attract, motivate, satisfy and retain employees and also to ensure that employees give their best and increase productivity. The process of developing an appropriate compensation management system enables organizations to provide tangible and intangible value to employees for the work they do or the services they provide.

Compensation represents the intrinsic and extrinsic rewards that employees receive for doing their jobs. When an organization is ready to hire employees, they must develop a

process to reward those employees. There are five main steps in the compensation management process namely; organizational strategy, compensation policy, job analysis and evaluation, compensation factor analysis, compensation plan design and implementation and finally, evaluation and review. When organizations develop and maintain a well-designed and structured compensation management system, they tend to attract and retain employees who are willing to work because it gives them positive feelings and impressions about their work, satisfied with their work and motivated to work harder. to achieve goals and, thus, the desire to remain with the organization for which they work.

UKM XYZ is a small cluster UKM engaged in the culinary industry with a focus on bread production. The business, which has been established since 1991 and has been passed down to the second generation since 2009, has a total of 20 employees consisting of 2 main functions, namely, production and marketing. The target of this business is to market products in stalls and shops in retail. UKM XYZ has a vision to be a business that always innovates to create satisfaction for consumers with the mission of creating fast food that is cheap but still high quality. One

of the missions of UKM XYZ is to prosper the surrounding community by opening up employment opportunities which makes compensation management an important component for the welfare of employees in the form of compensation that is effective and efficient in order to increase work morale and maintain productivity.

Method

This study uses a descriptive method with a qualitative approach to uncover compensation management in bread producers. Data collection was carried out using interview instruments. The location of this research was carried out on XYZ UKM which is a bread producer in DKI Jakarta, the research was carried out from August 2021 to September 2021. The resource persons in the study were the Owner of UKM XYZ and all employees of UKM XYZ. Analysis of research data carried out in this study was by means of a single case analysis, starting from determining the research subject, determining data sources, collecting data, analyzing data, drawing data reduction, drawing conclusions and compiling research reports on compensation management in XYZ SMEs. The detailed research stage can be seen in Figure 1.

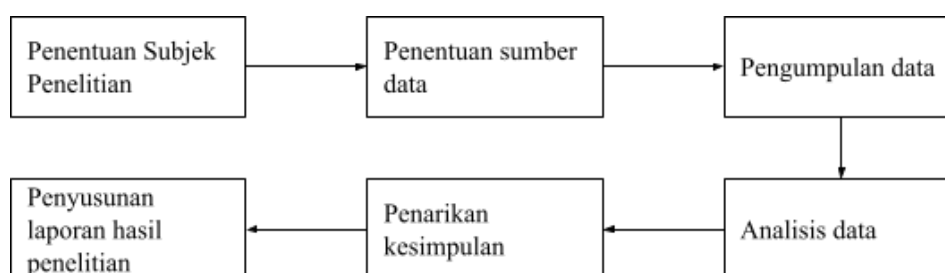


Figure 1
Research Stages

Results And Discussion

Profile of UKM XYZ UKM XYZ (the name of UKM is disguised) is a bakery with its address in Cijantung, Kec. Ps. Rebo, East Jakarta City. This UKM was founded in 1991 and has been passed down to the second generation since 2009. The total employees

at UKM XYZ are 20 people. The target market of this SME is to market products in stalls and shops in retail. The turnover obtained by this UKM per day is Rp. 7,000,000. For the vision and mission of SMEs XYZ are as follows:

Vision:

To be the bread industry that is constantly innovating to create consumer satisfaction

Mission:

- Create ready meals Low Price High Quality
- Welfare of the surrounding community by creating jobs
- Maintain customer trust by applying honesty at work

The compensation system in UKM XYZ can be analyzed using salary mapping based

on position. When viewed based on its organizational structure, UKM XYZ has several levels of positions. The highest level is occupied by the owner, followed by the Production Manager and Marketing Manager who are in the same position. Then the Production Manager is responsible for pastry staff, baking staff, and packaging staff. Then the Marketing Manager is responsible for the marketing staff. A clearer business structure can be seen in Figure 2.

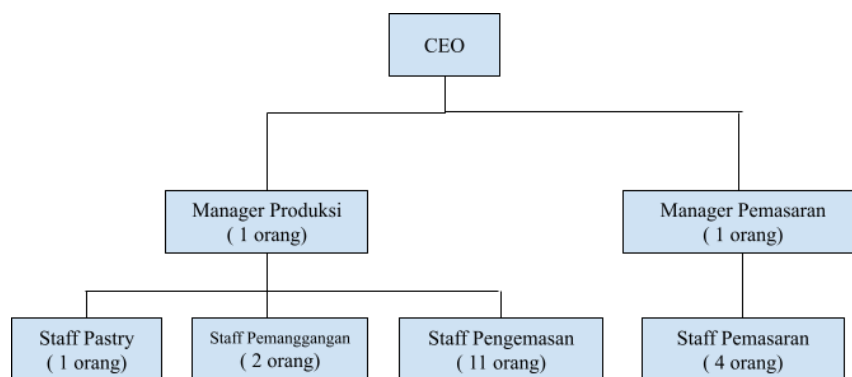


Figure 2
Business Structure

1. Compensable Factor

In the process of determining job grading in compiling the compensation structure of XYZ UKM, compensable factor becomes one of the important things because it consists of several criteria used to evaluate a job as the basis for determining the value of employee salaries / wages. In other words, the company will be willing to pay the salaries of its employees based on the competencies that must be possessed plus other feasibility factors. For this case study on SME XYZ, the author sets 10 compensable factors that are considered relevant to the main focus of SME XYZ's business, namely bread production.

Type - the type of compensable factors used in this study consisted of:

- a. Education

Measures the level of formal academic, technical or vocational education required to perform the duties of the position (Job Evaluation Plan Factors - Okanagan College). The level of education itself is divided into six levels, starting from not completing elementary school to undergraduate.

- b. Experience

Measures the amount of work experience required to perform the duties of the position (Job Evaluation Plan Factors - Okanagan College). The level consists of six levels starting working less than 6 months to the last level working more than 4 years.

- c. Initiative

The urge to do something that exceeds the demands of the task, to do things that no one asks for, which

- can improve work results and prevent problems, or find/create new opportunities (PT Hay Group's COMPETENCY DICTIONARY, 2005). The level consists of five levels starting from acting on non-urgent current issues and the last level acting for the next 1 year period.
- d. Communication and Relationship Ability
Assessing a person's ability to relate to other people (human relations) inside and outside the company so that the work runs smoothly (NHS Job evaluation handbook, 2013). The level consists of five levels starting from communication only one line upwards to the final level where external relations are very important and the results are very decisive for the company.
- e. Physical Needs Physical
exhaustion resulting from performing job tasks (Job Evaluation Plan Factors - Okanagan College). The level consists of five levels starting from involving occasional light physical activity to the final level involving continuous heavy physical activity.
- f. Customer Service Orientation The
desire and effort to help or serve customers to meet their needs. (PT Hay Group's COMPETENCY DICTIONARY, 2005). The level consists of five levels starting from following up on customer needs appropriately to the final level, namely using a long-term perspective in answering customer problems.
- g. Working Conditions
Measures the frequency of exposure to undesirable or unpleasant working conditions in which the work is carried out (Job Evaluation Plan Factors - Okanagan College). The tier consists of five levels ranging from work performed in an environment with virtually no hazardous exposures or conditions to a final level of work carried out in an environment with near-continuous exposure to unpleasant conditions and/or hazards.
- h. Supervision
Assessing the level of responsibility for the maintenance and use of materials and products as measured by losses in the event of damage/loss (Job Evaluation Plan Factors - Okanagan College). The level consists of four levels starting from the job does not have a requirement to carry out supervision to the final level that is the job involves the task of supervising and assessing the work of employees and recommending hiring and promoting.
- i. Responsibility for materials and products
Measures the ongoing responsibility that the incumbent assumes on staff supervision and direction. The level consists of six levels, starting from causing a loss of IDR 0 - IDR 500,000 to the final level, which is causing a loss of more than IDR 2,500,000.
- j. Cooperation The
desire to cooperate with others, to be part of a group, to work together and not work separately or compete with each other (PT Hay Group's COMPETENCIES DICTIONARY, 2005). The level consists of five levels, namely starting from participating as a good group member - doing the task / part, supporting group decisions to the final level, namely acting to create an atmosphere of close cooperation without regard to personal likes or dislikes.

2. Determination of Weights from Compensable Factors

According to Dessler (2014), job evaluation is a procedure carried out to determine the duties of a position, as well as the specification of the right human resources to fill the position. In Article 1 of the Ministry of Manpower and Transmigration No. 49 / Men / IV / 2004 concerning the structure and scale of wages, the wage structure is the arrangement of wage levels from the lowest to the highest or vice versa from

the highest to the lowest. Meanwhile, the wage scale is the range of nominal wages according to job groups.

The first step before evaluating each position is to weigh and assess the compensable factors. There are 10 compensable factors applied, namely education, experience, initiative, ability to communicate and relate to humans, physical needs, customer service orientation, working conditions, supervision, responsibility for materials and products, and cooperation.

Tabel 1
Pembobotan compensable factors

	SUB FAKTOR	Pendidikan	Pengalaman	Inisiatif	Kemampuan Berkomunikasi dan Hubungan	Orientasi Pelayanan Pelanggan	Kebutuhan Fisik	Kondisi Kerja	Tanggung Jawab Terhadap Material dan Produk	Supervisi	Kerjasama	ZBOBOT
Know-How	Pendidikan	1	0,2	0,2	0,2	0,2	0,2	0,3	0,3	0,3	0,1	3
	Pengalaman	5	1	3	5	5	3	3	3	5	5	38
	Inisiatif	5	0,3	1	5	5	0,3	5	0,2	0,3	1	23
	Kemampuan Berkomunikasi dan Hubungan	5	0,2	0,2	1	3	0,2	0,1	0,2	0,2	1	11
	Orientasi Pelayanan Pelanggan	5	0,3	0,3	0,3	1	5,0	3,0	0,3	5,0	0,2	21
P.Solv	Kebutuhan Fisik	5	0,3	3	5	0,2	1	1,0	0,2	0,2	0,2	16
	Kondisi Kerja	3	0,3	0,2	7	0,3	1	1	0,3	1	0,3	15
	Tanggung Jawab Terhadap Material dan Produk	3	0,3	5	5	3	5	3	1	5	5	35
Accountability	Supervisi	3	0,2	3	5	0,2	5	1	0,2	1	0,3	19
	Kerjasama	7	0,2	1	1	5	5	3	0,2	3	1	26

Table 1 shows the results of weighting values between compensable factors using pairwise comparison. Pairwise Comparison is a pairwise comparison method. This pairwise comparison can be used to obtain the related trend between the two variances. In table 1, it shows the level of importance between compensable factors where a value of 1 means that both factors are equally important, a value of 3 means slightly more important than other factors, a value of 5 means more important than other factors, a value of 7 means very more important than other factors, and a value of 9 which means absolutely more important

than other factors. From the calculation above, the overall value of each factor is calculated which is then calculated by the total weight and value of the factors for each position.

Assigning Values to Each Level of Job Factors. The next step is to assess the compensable factors in each position. There are six job positions that will be rated, namely production manager, marketing manager, pastry staff, baking staff, marketing staff and security staff. The purpose of this stage is to calculate the job value in the next stage, namely by using the results of calculating the total weight and value of the factors for each position.

Table 2
Position Factor Value

JOBTITLE	Education	Experience	Inisiatif	Kemampuan Berkomunikasi dan hubungan	Physical Demands	Orientasi Pelayanan Pelanggan	Working Condition	Tanggung jawab terhadap material dan produk	Supervision	Kerjasama	Jumlah
Manager Produksi	4	4	4	3	5	3	4	4	3	5	39
Manager Pemasaran	4	4	5	5	3	5	4	4	3	5	42
Staff Pastry	3	3	3	3	5	3	4	4	1	3	32
Staff Pemanggangan	3	3	1	2	5	2	4	4	1	2	27
Staff Pengemasan	3	3	1	2	3	2	4	3	1	2	24
Staff Pemasaran	4	3	3	5	3	4	3	3	1	4	33

Table 2 above shows the factor values owned by each position. The highest score is owned by the marketing manager at 42, then followed by the production manager at 39, then there are marketing staff at 33, pastry staff 32, baking staff 27 and finally packaging staff 24.

3. Job Value Calculation

After getting the weight and position value, job value can be calculated. The trick is to multiply the weight and value of the position. The following is the result of the accumulation of each position which has been multiplied by weight.

Table 3
Calculation of Job Value

Jobtitle	Σ Job Values
Manager Produksi	962
Manager Pemasaran	918
Staff Pastry	706
Staff Pemanggangan	596
Staff Pengemasan	519
Staff Pemasaran	682

Based on table 3 above, the position of production manager has the job value highest of 962, followed by marketing manager of 918, pastry staff of 706, marketing staff of 682, baking staff 596 and the position with the job value lowest is packaging staff of 519.

Designing Job Grading using Given Grade

Previously we have obtained the job value for each position, which is the result of the total multiplication of the weight with the value in each position. The next stage is the preparation of job grading based on the method given grade. The method given grade is a way to determine how many grades you want to make to perform a compensation design system calculation.

Table 4
Job Grading using Given Grade

Nama Pemegang Jabatan	Jumlah Karyawan	Job Value	Job value x jumlah karyawan	Existing	Gaji Bawah	Gaji Atas	GIVEN		Grade Given
Manager Produksi	1	962	962	Rp2.824.676	Rp2.391.752	Rp2.825.459	814	962	III
Manager Pemasaran	1	918	918	Rp2.696.676					
Staff Pastry	1	706	706	Rp2.073.346	Rp1.958.045	Rp2.391.752	667	814	II
Staff Pemasaran	4	682	2728	Rp8.013.215					
Staff Pemangangan	2	596	1191	Rp3.498.523	Rp1.524.338	Rp1.958.045	519	667	I
Staff Pengemasan	11	519	5711	Rp16.773.565					
Jumlah	20	4.383	12216	Rp35.880.000					

Based on the table above, we will create three grades. The following are the stages of getting job grading as shown in the table above:

- 1) Calculate the interval for each given grade by calculating the difference between the job values highest and lowest then divided by the number of grades to be made.

$$= \text{value Job} \left[\frac{(\text{The highest Job value} - \text{lowest})}{3} \right]$$

$$= \frac{(962 - 519)}{3}$$

$$= 148$$
- 2) To obtain the upper limit of Given I, the job value is lowest added to the interval given grade that has been obtained previously.

$$= 519 + 148$$

$$= 667$$
- 3) The upper limit of Given I is used as the lower limit of Given II. Then if it is added to the interval given grade it will produce the upper limit of Given II. So until the obtained Given Grade III is.

4. Design Job Grading using Min Max

In addition to using the method given grade, compensation improvements can use min max.

Regarding the establishment of a special authority, it is further regulated in the eighth principle on supervision and sanctions. The sound of the first phrase

of the eighth principle is "The law of every country shall designate the authority which, in accordance with its domestic legal system, is to be responsible for supervising observance of the principles set forth above." Which when translated means "The law of each country must designate an authority according to the domestic legal system, which is responsible for overseeing the observance of the principles set out above." The principle expressly states that each country must appoint an authority for the protection of personal data to oversee other principles. The next phrase in the eighth principle is "This authority shall offer guarantees for impartiality, independence vis-avis persons or agencies responsible for processing and establishing data, and technical competence." independence of the person or institution responsible for processing and establishing data, technical competence. The fact can be found again, that the authority must be impartial, and independent of a particular person or institution. These institutions include both private institutions and government agencies.

Table 5

Job Grading using min max

Nama Pemegang Jabatan	Jumlah Karyawan	MIN/MAX		Grade Min Max	Gaji Bawah	Gaji Atas
Manager Produksi	1	828	974	IV	Rp2.431.385	Rp2.859.308
Manager Pemasaran	1	704	828	III	Rp2.067.504	Rp2.431.385
Staff Pastry	1	599	704	II	Rp1.758.082	Rp2.067.504
Staff Pemasaran	4	509	599	I	Rp1.494.967	Rp1.758.082
Staff Pemanggangan	2					
Staff Pengemasan	11					

Table 5 shows that there are four grades, with grade I filled by baking and packaging staff positions with a minimum score of 509 and a maximum of 599. For grade II filled by two positions, namely marketing staff with a minimum score of 599 and a maximum of 704. Then grade III is filled by pastry staff with a minimum score of 704 and a maximum of 828. Finally, grade IV is filled by marketing and production

manager positions with a minimum score of 828 and a maximum of 974.

5. Comparison Graph of Job Value and Job Title

In designing the ideal compensation for employees, comparing job value and job title is very important for business owners to see how a position or position with its value can match the compensation received. From SME XYZ we see in the chart below there are three parts that can be mapped.



Graph 1
Comparison of job value with job title

Conclusion

Based on the research and analysis conducted by the author, it can be concluded that there are three levels in the grade salary of XYZ UKM using the method Given Grade. This level consists of:

1. Grade I (staff roasting and packaging) with a salary range Rp1.524.338 to Rp1.958.045
2. Grade II (marketing staff and pastry) with a salary range Rp1.958.045 to Rp2.391.752
3. Grade III (marketing and production manager) with a salary range of Rp2,391,752 to Rp2,825,459.

Whereas, when using the method Min Max earned four levels, namely:

1. Grade I (staff packaging and roasting) with a salary range Rp1.494.967 to Rp1.758.082
2. Grade II (marketing staff) with a salary range Rp1.758.082 to Rp2.067.504
3. Grade III (staff pastry) with a salary range Rp2.067.504 to Rp2.431.385 and
4. Grade IV (production and marketing manager) with a salary range of IDR 2,431,385 to IDR 2,859,308.

This division of levels or grading is useful for determining the level of salary levels of XYZ UKM employees. Determination of grade this will be useful in determining the compensation system for XYZ SMEs in the future. Based on these two methods, their

use can be adjusted according to the needs and conditions of XYZ SMEs.

Journal of Management & Agribusiness, 14(2), 109-109.

References

Amin, I. (2019). An international perspective of job grading in the Egyptian administrative system. *Review of Economics and Political Science*.

Gore, M., & Mahapatra, S. (2017). A Study of Job Evaluation Related to Stress of Junior Management Employees using Hay Method at Premium Transmission Ltd, Pune.

Daniel, CO (2019). Compensation management and its impact on organizational commitment. *International Journal of Contemporary Applied Researches*, 6(2), 26-36.

Muhammad hartanto, setiawan (2017). Islamic economic perspective on the role of government in the determination of informal worker wages (Study in Hajimena Village, Natar District, South Lampung Regency) (Doctoral dissertation, Raden Intan State Islamic University Lampung).

Darma, PS, & Supriyanto, AS (2017). The effect of compensation on satisfaction and employee performance. *Management and Economics Journal (MEC-J)*, 1(1).

Risma, R., & Tondoyekti, K. (2020). The Effect of Job Evaluation on Employee Performance Productivity at Perum Bulog, West Nusa Tenggara Regional Division. *JOURNAL of APPLIED BUSINESS and BANKING (JABB)*, 1(1), 31-46.

Fadhil, R., Maarif, MS, Bantacut, T., & Hermawan, A. (2017). Comparison of multi-criteria decision-making techniques between the eckenrode method and the fuzzy eckenrode method on agro-industry performance.



© 2021 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).