COMPENSATION DETERMINATION ANALYSIS USING HAY JOB EVALUATION METHOD

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Abstract
This study focuses on the financial compensation of employees at PT ABC by using the data on direct and indirect compensation provided. The data used includes basic salary and other benefits. The purpose of this study was to identify the salary and compensation system at PT ABC. Develop job grading and job values based on the Hay System method at PT ABC. Analyze and evaluate the improvement of the appropriate salary and compensation system at PT ABC.
The method used in this research is the point system method, which is the point method for assigning numerical values to certain job factors and the total value providing a quantitative assessment.
From the existing data on the basic salary of 43 employees at UKM ABC, which is compared to the Lampung UMP of Rp. 2,431,324 and the Bandar Lampung UMK of Rp. 2,739,983, the results are shown in the figure above. The graph shows that the total salary paid to all employees of PT. ABC is already above the Lampung UMP and Bandar Lampung UMK.
Based on the results of research and analysis that has been carried out, it can be concluded that PT ABC Lampung City has four levels in the compensation system based on the hierarchy contained in its organizational structure. At level four there is one job title, namely branch head, at level three there are three job titles, namely the position of deputy supervisor, and at level one occupied by twenty-one job titles, namely staff.

Keywords: Compensation; Compensable Factor; Salary Mapping; Hay System.

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Introduction
Appropriate Compensation will be implemented if the company can fully assess employee performance. Because the main reason someone works for a company is to survive. Therefore, Compensation is a crucial thing in improving one’s employee performance. According to (Fiegenbaum & Thomas, 1993), “Compensation is any form of payment to employees for work they provide their employer”, or it can be interpreted that Compensation is a form of reward given to employees as compensation for the work they do as employees. Compensation policies are also a way to retain potential employees (Mujanah, 2019). Two ways can be done in providing Compensation (Mulyadi, 2001), namely direct Compensation such as salaries, wages, incentives and others—meanwhile, indirect Compensation such as allowances and facilities. The globalization of product markets has intensified competition in an increasingly wide array of industries, including automobiles, consumer electronics, steel and computer chips to name just a few (Gerhart & Bretz Jr, 1994).

https://ijssr.ridwaninstitute.co.id/index.php/ijssr/
PT ABC is a company that operates as a sole agent and distributor of heavy equipment in Indonesia. It was established for approximately 43 years in 1978, to be precise, in the city of Lampung. Provides a variety of heavy equipment such as generators, cutting plates, bending plates, welding, ovens and others. The salary distribution at PT ABC uses an employee level system and is already above the minimum wage for Lampung. However, the provision of Compensation, which is employees’ rights and obligations, is still not appropriate. Because in the division, there is no difference between old workers and new workers, working hours, and positions.

Based on the problems above, we conducted research on PT ABC. In this study, we apply the Hay System method so that the employee compensation policy can follow each employee’s job value and job grading at PT ABC. This subsequent research can be a suggestion and input in determining the salary for the position and improving the remuneration system at the company.

A. Research purposes
1) Identify the salary and compensation system at PT ABC.
2) Develop job grading and job values based on the Hay System method at PT ABC.
3) Analyzing and evaluating the improvement of the appropriate salary and compensation system at PT ABC.

B. The scope of research
This study focuses on the financial Compensation of employees at PT ABC using direct and indirect financial compensation data provided. The data used includes basic salary and other benefits. This study involved the resource person as the Branch Head in determining the compensable factor weights and job values using the Hay System (Ma’arif & Tanjung, 2003). In determining the salary structure used in this study, the Adhered and Overlapping system was used.

C. Benefits of research
It is hoped that this research can provide benefits for PT ABC in determining the distribution of the salary system and an effective compensation system to be a reference in the event of a change in the company’s business processes. In addition, the benefit for readers is that it can provide information about theory in the application of compensation management science and can be used as comparison material in other studies (Bohlander, G. and Snell, 2010).

Methods
A. Framework

B. Research Location and Time
This research refers to the case study analysis at PT ABC Lampung City. PT ABC is a company located on Jl. Raya Natar No.78, Lampung. The research started in August 2021 and has been going on for approximately six weeks with all interviews to obtain information and data, data processing, data improvement, and making scientific articles.
C. Data Types and Sources
Data collection carried out by our group used primary and secondary data. We obtained primary data through online interviews using electronic communication media, namely Zoom Meeting or Whatsapp, by providing a questionnaire created to be filled out by employees of PT ABC Lampung City. Then the data that has been received will be processed in order to get calculations that follow the rules; meanwhile, secondary data obtained from direct sources. In addition, we also use additional knowledge or data sources using the literature method from websites, journals or theses. Therefore, this research is quantitative and qualitative research by describing the compensation system run by PT ABC Lampung City.

D. Data Processing and Analysis Methods
Systematic data processing and analysis used to develop a compensation system model based on job value and job grading at PT ABC Lampung City is the salary survey method, salary mapping analysis (salary mapping), namely the adhered method and the overlapping method, and the last one is the point system method. Eckenrode based.

The introductory part that is carried out to determine employee salary standards is the Salary survey (Ma’arif & Tanjung, 2003). This is done to realize external equity, an important factor in determining and planning the salary structure. Salary surveys can be conducted in various ways, from obtaining the salary level imposed by the company to make a formal questionnaire (Performance Expert). Meanwhile, salary mapping analysis is used to determine the percentage of the spread and mid to mid-range of positions in the research object to other sections or levels of positions (Yom, Fadilah, & Maulida, 2021).

state that the point system method is used in job evaluation because it can provide more valid results, be more difficult to abuse, and provide a better assessment than other ranking or classification methods. In comparison, the Eckenrode weighting method is one of the weighting methods used to determine the degree of importance/weight (B) of each criterion (K) and sub-criteria (SK) specified in decision making (Tanjung, 2003).

Results and Discussion
A. Overview of PT ABC Lampung City
PT ABC Lampung City is a Small and Medium Enterprise included in the medium-scale which has a turnover of 5 billion rupiahs. PT ABC is located on Jl. Raya Natar No.78, Lampung. PT ABC was established in 1978 and operated as a sole agent and distributor of heavy equipment in Indonesia. PT ABC has a vision, namely "Being one of the best by providing quality products and support at all times to bring out all the potential it has to the fullest". Then, to carry out the vision takes a mission, mission of PT ABC is:
1) PT ABC will continue to maintain a solid financial position and continuously develop excellence in all sectors within the organization,
2) PT ABC has also become a reliable company in the heavy equipment business. Both national and international customers are well known for their determination to lead the world to a better future.

B. Overview of the Compensation System of PT ABC Lampung City
The compensation system found at PT ABC Lampung City can be analyzed using salary mapping based on position. If viewed based on its organizational structure, PT ABC Lampung City has several levels of positions. The highest level is headed by the Branch Head and followed by a supervisor deputy supervisor until several staff. The following is the organizational structure at PT ABC Lampung City.
Based on financial data, PT ABC has an average monthly turnover of IDR 5,000,000,000.00. The turnover determines that the operational salary per month is Rp. 250,000,000.00, or 5% of the turnover. After analyzing salary mapping based on position organizational structure, PT ABC does not have a clear organizational structure. So that this is one of the causes of the compensation system applied by PT ABC has not been said to be fair because there are still several positions that receive compensation that is not following the level of position they occupy based on various factors. Therefore, further analysis and evaluation are needed to improve the compensation system at PT ABC that is fair and appropriate. Improving the compensation system will also consider Law Number 13 of 2003 concerning Manpower.

C. Analysis Of The Characteristics Of PT ABC Lampung City

This study uses respondents with as many as 43 people to fill out the questionnaire. The explanation of the characteristics of the respondents is carried out to determine the category or type of respondents who are the sample. Based on the data obtained by respondents in this study, there are significant differences in the number; this indicates that a high level of education is a priority for PT ABC in recruiting employees and providing compensation. Respondents in the compensable factor formulation and the Eckenrode method were from the head of the branch, all supervisors, and all deputy supervisors who, on average, had a bachelor's degree or diploma.

D. Analysis and Graph of PT ABC's Employee Salaries on the UMK and UMP

The criteria for a decent wage are an essential part of fulfilling the human rights of every human worker in Indonesia. According to Article 88 paragraph (1) of Law no. 13 of 2003 concerning Manpower (UU Naker), "workers or labourers have the right to earn income for a decent living for humanity". The Central Government establishes a wage policy to realize the rights of workers/labourers to a decent living for humanity. At the local government level, wage-setting policies are made in the Governor's decision as an administrative official who is given the authority to determine the provincial minimum wage (UMP), regency/city minimum wage (UMK), and district/city sectoral minimum wage (UMSK).
From the existing data, the basic salary of 43 employees at UKM ABC is compared with the Lampung UMP of Rp. 2,431,324 and the Bandar Lampung UMK of Rp. 2,739,983, the results are shown in the figure above. The graph shows the total salary paid to all employees of PT. ABC is already above the Lampung UMP and Bandar Lampung UMK. After further research and confirmation to the owner of PT. ABC, the employee’s salary has been adjusted to the local needs of decent living and all assessments that become criteria in the payroll system. Therefore, it is expected that all employees of PT. ABC can provide optimal results and performance.

E. Compensation Design System based on Job Value and Job Grading

Sistem pembayaran kompensasi yang ideal merupakan sistem yang dapat menciptakan keadilan dalam pembayaran kompensasi, sehingga dapat diterima oleh seluruh elemen. Kompensasi harus dirancang sebaik mungkin agar karyawan dapat memenuhi kebutuhan hidup layak, bertahan atau loyal di perusahaan sekarang, serta mampu memberikan hasil dan kinerja yang optimal. Pemilik usaha atau perusahaan harus memikirkan dan menganalisis bagaimana cara agar karyawan puas serta memiliki produktivitas yang tinggi. Oleh karenanya, terdapat beberapa langkah dalam menciptakan perencanaan kompensasi yang ideal bagi karyawan PT. ABC, antara lain sebagai berikut:

F. Determine the weight of each job factor (Job Value)

According to (Dessler, 2004), in determining the duties of a position, the appropriate procedures and qualifications of HR for a position can be carried out by evaluating the position. Job evaluation aims to create internal consistency and external consistency in providing Compensation or remuneration (Alipudin, 2016). The main target of job evaluation is the satisfaction of employees and superiors with the benefits paid. According to Article 1, Kepmenakertrans No. 49 / Men / IV / 2004 concerning the structure and scale of wages, wages are the arrangement of wage levels from the lowest to the highest or vice versa.

The first step before evaluating the position, using the Given Grade method and the Min-Max method, is weighting and assigning values to factors and employee positions in the compensation design at PT. ABC used as many as ten assessment factors in measuring Compensation, namely education, work experience, job complexity, responsibility for decision making, responsibility for finances, consequences of mistakes, responsibility Respond to other people's work, Social skills (Cooperation and Communication), working conditions, and physical effort.

![Figure 4: Weighting Compensable Factors](image-url)
Figure 4 shows the results of the weighting of the values between the factors that will be used as the basis for determining compensation at PT. A B C. The weighting of these compensable factors uses pairwise comparison. This matter shows the level of importance between 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 any other factor. From the calculation of these compensable factors, the accumulated value of each factor will be calculated and the total weight and value of the factors for each position will be calculated.

G. Assign values to each job factor level

After determining the weight of compensable factors from each position, the next step is to assign a value to each compensable factor from each position. The values given can show how important a factor must be in a position at PT. ABC, 28 positions affect the design of the compensation system. This step needs to be done to calculate the job value in the next stage, namely by calculating the total weight and value of the factors for each position.

Figure 4 shows the results of the weighting of the values between the factors that will be used as the basis for determining compensation at PT. A B C. The weighting of these compensable factors uses pairwise comparison. This matter shows the level of importance between 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 any other factor. From the calculation of these compensable factors, the accumulated value of each factor will be calculated and the total weight and value of the factors for each position will be calculated.

G. Assign values to each job factor level

After determining the weight of compensable factors from each position, the next step is to assign a value to each compensable factor from each position. The values given can show how important a factor must be in a position at PT. ABC, 28 positions affect the design of the compensation system. This step needs to be done to calculate the job value in the next stage, namely by calculating the total weight and value of the factors for each position.

H. Job Value Calculation

The next step is to determine the job value of each position, namely by sorting the positions based on the largest final total to the lowest by multiplying the weight with the value obtained from the previous step. Results and Discussion

Figure 2
Factor Value of Each Position

Figure 2 above shows the value of each factor from the positions that exist at PT. A B C. If each factor has been assigned a value, the next step is to calculate the Job Value of each position. Job Value can be calculated by multiplying the weight with a predetermined value. After that, they are sorted by total Job Value from the largest to the lowest.

H. Job Value Calculation

The next step is to determine the job value of each position, namely by sorting the positions based on the largest final total to the lowest by multiplying the weight with the value obtained from the previous step. Results and Discussion
From figure 3 above, it shows the Job Value of each position at PT. A B C. The Branch Head has the highest Job Value, while the position with the lowest Job Value is Staff Storeman.

I. Planing Job Grading use Given Grade

The next step is compiling job grading based on the Given Grade method. The given grade method is a way to determine how many grades you want to make to perform a compensation design system calculation.

Figure 4
Job Grading Using Given Grade

Based on figure 4 above, we will make as many as four grades. The following are the steps to get the job grading above:

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

\[
\text{Interval} = \frac{\text{Highest Job Value} - \text{Lowest Job Value}}{\text{Number of Grades}}
\]

\[
= \frac{805 - 224}{4}
\]

\[
= 146
\]

2. To obtain the upper limit of Given I, the lowest job value is added to the given grade interval obtained previously.

\[
= 224 + 146
\]

\[
= 370
\]

3. The upper limit of Given I is used as the lower limit of Given II. Then if it is added to the given grade interval, it will produce the upper limit of Given II. And so on until the Given Grade IV is obtained.

Figure 6
Grafik Job Grading

J. Designing Job Grading Using Min Max

In addition to using the given grade method, the min-max can also make compensation improvements. Method.
Compensation Determination Analysis Using Hay Job Evaluation Method

**K. Salary Mapping Preliminary PT. ABC**

PT currently implements the compensation system. ABC can be analyzed further by using salary mapping (Salary Mapping) based on position.

Figure 6

Job Grading Using Min Max. Method

Figure 6 shows eight grades, with grade I filled by Staff Storeman and two other divisions with a minimum score of 224 and a maximum of 263. Grade II was filled by Staff Collection and 11 other divisions with a minimum score of 263 and a maximum of 310. Grade III is filled by the Collector Staff and five other divisions with a minimum score of 310 and 364. For Grade IV, the Deputy Supervisor Parts Support is filled with a minimum score of 364 and a maximum of 428. Grade V is filled by the Deputy Supervisor of Agri & Construction and one other division with a minimum score of 428 and a maximum of 504. For Grade VI to be filled by Service Supervisors and one other division with a minimum score of 504 and a maximum of 593. For Grade VII to be filled by a procurement supervisor with a minimum value of 593 and a maximum of 697. Finally, the position of the branch head is in grade VIII with a minimum score of 697, and the maximum value is 819.

Figure 7

**Salary Mapping Results**

Description:

- X? = not very ideal,
- V? = ideal but questionable,
- X= not ideal,
- V= ideal.

Based on Table 6 above, the following results are obtained:

- Grade I, the salary given is not ideal (X)
- Grade II, the salary given is not ideal (X)
- Grade III, the salary given is not ideal (X)
- Grade IV, the salary given is not ideal (X)

From the results above, it can be concluded that the compensation system is in the form of salary at PT. ABC is still not ideal. This is due to the irregular spread value from one position level to another. The discrepancy is seen in the irrational Spread in Grade I and Grade IV because it shows the numbers 188.9% in Grade I and 0% in Grade IV (Sinambela, 2021). In addition, the Spread on
Grade I and Grade II does not show an increase but a decrease. Based on these things, it can be said that the compensation system at PT. ABC is still not ideal. This shows that internal justice has not been created in the company.

**L. Compensable Factors**

According to (Ruky, 2002), the basis for determining the value of the position is using compensable factors. In this study, the compensable factor HAY system was used, which consisted of three factors, namely Know-How, Accountability, and Problem-Solving, as well as ten sub-factors. The complete explanation of the ten sub-factors is as follows.

1) **Education**

   Education refers to the essential abilities, skills, and academic requirements demanded in a position usually assumed to be obtained after attending high school, business school, commerce school, college, or graduate school. The education sub-factor consists of three levels, namely:
   - Level 1: Graduated from high school or equivalent high school
   - Level 2: Was at the first level of University/Academic
   - Level 3: Bachelor
   (Lamontagne, Keegel, Louie, Ostry, & Landsbergis, 2007).

2) **Work Experience**

   Experience in training and development gained from previous work required to qualify a position, plus training and development on a job required for skills. The work experience sub-factor consists of four levels, namely:
   - Level 1: 6-12 months
   - Level 2: 1-3 years old
   - Level 3: 3-5 years old
   - Level 4: over five years old

3) **Complexity of work**

   This sub-factor measures the amount and difficulty of analysis, problem-solving and reasoning required to perform work-related tasks. It consists of four levels, namely:
   - Level 1: Workers have been given procedures, and information related to work do not require in-depth analysis and reasoning.
   - Level 2: The job involves light analysis to decide what needs to be done and planning to organize the work.
   - Level 3: The work consists of unusual or non-standard professional activities, and information must be developed through unique analytical methods, requiring special formulation and particular calculations to complete the work.
   - Level 4: The work consists of unusual or non-standard professional activities, and information must be developed through unique analytical methods, requiring special formulation and particular calculations to complete the work.


1) **Responsibility for Decision Making**

2) **This sub-factor measures job responsibilities for developing and implementing policies and services. It considers the nature of the responsibilities and the extent and extent of the job holder's contribution to the relevant decision-making process. It consists of four levels, namely:**

3) **Level 1: Not responsible for service development but may be asked to comment on policies, procedures or possible developments.**

4) **Level 2: Implement policies for own work areas and propose changes to**
work practices or procedures for own work areas.
5) - Level 3: Implement policies for their work area and propose policy or service changes that have an impact outside their area of activity.
6) - Level 4: Corporate responsibility for crucial policy implementation or service policy development, impacting across or outside the organization.
7) (Source (Council, 2016)).
8) Financial Responsibility
9) This sub-factor measures job responsibilities for financial resources and physical assets. It consists of four levels, namely:
10) - Level 1: Observing personal tasks concerning equipment and resources used in the course of work.
11) - Level 2: Authorized signatory for small cash/financial payments.
12) - Level 3: Responsible for purchasing multiple assets or monitoring physical equipment.
13) - Level 4: Responsible for the organization's financial resources and physical assets.
15) 3) Consequences of mistakes
16) This sub-factor measures the effect of the action and includes the relationship between the nature of the job, loss of time and resources, and the effect of the job. It consists of four levels, namely:
17) - Level 1: Faults are easily detected by routine checks and are usually limited to specific jobs. Errors have no minimal impact on the material or product and are easy to fix.
18) - Level 2: Errors are usually detected by routine checks at a later stage of work. Mistakes can affect the work of others, causing inconvenience and loss of time to correct.
19) - Level 3: Errors are not easy to detect, usually affect materials and products and result in some delay, financial loss, or reduced service.
20) - Level 4: Errors may be difficult to detect, usually result in substantial losses and affect relations with outsiders.
22) Responsibility for the Work of Others
23) This sub-factor measures ongoing responsibility for oversight of staff direction. It consists of five levels, namely:
24) - Level 1: The job has no requirements to exercise supervision. Sometimes it is possible to explain work procedures to new employees.
25) - Level 2: Work will involve coordinating and scheduling the day-to-day work of other employees or volunteers in the unit, monitoring the output and assignments of delegation.
26) - Level 3: This job requires employees, on an ongoing basis, to assume some regular supervisory duties over other employees.
27) - Level 4: This position requires employees to assume formal supervisory responsibilities over other employees.
28) - Level 5: The primary purpose of this job is as a full-time supervisor.
30) Social Skills (Cooperation and Communication)
31) Measures the skills needed to communicate, build and maintain relationships and gain cooperation from others. It consists of five levels, namely:
32) - Level 1: Routinely give and receive information orally to assist in their work—communication, especially with co-workers.
33) - Level 2: Routinely provide and receive information orally, in writing or electronically to inform colleagues, patients, clients, guardians, public or internal-external contacts. 

34) - Level 3: Giving and receiving complex or sensitive information or providing advice, instruction or training to groups where the subject is direct. 

35) - Level 4: Giving and receiving complex, sensitive or controversial information, where skills of persuasion, motivation, negotiation, training, empathy or reassurance are required. This may be because agreement or cooperation is needed or because there are barriers to understanding. 

36) - Level 5: Giving and receiving complex, sensitive or controversial information, where there are significant barriers to acceptance that need to be overcome using the interpersonal and communication skills developed will be required when communicating in an emotional setting. 


38) Working Conditions 
Namely, job holders' active, face-to-face skills for various relationships with others inside and outside the organization. It consists of three levels, namely: 
- Level 1: Maintain a courteous and effective working relationship with others to request or submit information, ask questions or obtain clarification. 
- Level 2: The skills of persuasion or assertiveness and sensitivity to the point of view of others are often needed to influence behaviour, change opinions, or reverse situations. 
- Level 3: The highest level of interpersonal skills is usually required by positions where alternative or combined skills in understanding and motivating important people are of the highest level. 


39) Physical Effort 
This sub-factor measures the nature, level, frequency and duration of physical effort. Take into account any circumstances that may affect the effort required, such as: working in awkward positions or confined spaces. It consists of five levels, namely: 
- Level 1: Combination of sitting, standing, and walking with little requirement for physical effort. There may be a requirement to exert light physical effort for a short period. 
- Level 2: There is often a requirement for light physical effort for several brief periods during working hours. 
- Level 3: There is often a requirement to exert moderate physical effort for several short periods during working hours. 
- Level 4: There is often a requirement to exert moderate physical effort for several long periods during working hours. 
- Level 5: There is often a requirement to exert intense physical effort for several short periods during working hours. 


M. Salary Improvement of PT ABC Lampung City by Using the Adhered Method 
Furthermore, after knowing the salary mapping analysis using actual salary or actual salary, it turns out that the compensation conditions applied are not ideal, so improvements are needed. The first improvement is to use the Adhered method.
Compensation Determination Analysis Using Hay Job Evaluation Method

Figure 8
Salary Improvement using the Adhered Method

Figure 8 above is an improvement in Compensation using the Adhered method and a spread of 30% for Grade I, 42% for Grade II, 43% for Grade III, and 44% for Grade IV. The spread level is appropriate, which is an increase in each grade according to the position. Here are the steps in making salary adjustments with the Adhered method (Mundakir & Zainuri, 2018).

1) Determining the minimum salary for positions in Grade I, in this case, adjusted to institutional policies and taking into account the UMK. So that the new minimum salary for Grade I will be IDR 3,600,000.00.

2) Determine the maximum salary for grade I with the formula:
   \[\text{[minimum salary on grade} + (\text{minimum salary on grade } \times \text{ spread})]\]

3) Determine the salary midpoint with the formula:
   \[\{(\text{minimum salary at}} + \text{maximum salary)}/2\]

4) Determine the minimum value for the next grade. The maximum score in the previous grade will be the minimum score in the next grade.

5) Next, calculate the mid to mid-value with the formula:
   \[\{(\text{calculated grade midpoint value} - \text{grade below midpoint grade})/ \text{midpoint grade below it}\]

6) Repeat steps 2-5 until all minimum, maximum, midpoint, and mid-to-mid values for each grade are known.

Figure 4
Salary Mapping Graph after being fixed with the Adhered Method

The graph above represents the compensation improvement system with the adhered method, and the ideal compensation system is obtained (Mulyadi, 2001). It can be seen that from mid to mid, each grade is always smaller than the spread. In addition, the difference in the interval or distance obtained is not too far, following the provisions of the interval or distance that has been determined and coincides.

N. Salary Improvement of PT ABC Lampung City by Using the Overlapping Method

In improving salaries at PT ABC Lampung City, apart from using the adhered method, the overlapping method can also be done. In contrast to the adhered method, in the overlapping method, the maximum value of the previous class can be greater than the minimum value of the next class.
Figure 9 above is a salary improvement using the overlapping method. There is a difference from the previous method, namely, adhered, the spread value. In this method, the spread value used is 30% for Grade I, 46% for Grade II, 53% for Grade III, and 55% for Grade IV. The spread level here is appropriate, which is an increase in each grade according to the position. Here are the steps in making salary improvements with the Overlapping method.

1) Determine the minimum salary for Grade I. The minimum salary used in the overlapping method is still the same as that used for the adhered method, which is Rp. 3,600,000.00.

2) Determine the maximum salary in grade I with the formula:

3) [minimum salary + (minimum salary on grade x spread)]

4) Determine the midpoint in grade I. The formula can calculate a midpoint:

5) [(minimum salary on grade + maximum salary on grade)/2]

6) Determine the midpoint value for all subsequent grades. The midpoint value in the overlapping method can be determined directly without giving a value to the minimum and maximum salary columns. In determining the midpoint value, the company adjusts the ability and

salary of the Lampung City UMK survey.

7) Determine the mid to mid-value with the formula:

8) {[calculated grade midpoint value - grade below midpoint grade)/ midpoint grade below it]}

9) Determine the minimum salary column value for the next grade with the formula:

10) [midpoint / (1 + (0.5 x spread on that line))] Repeat steps 2, 5, and 6 until all minimum salary, maximum salary, midpoint value, and mid to mid-value for each grade are known.

Figure 5
Salary Mapping Graph after being fixed with the Overlapping Method

The graph above represents the compensation improvement system with the overlapping method. The ideal compensation system is obtained. It can be seen from mid to mid that each grade is always smaller than the predetermined spread, such as using the adhered method, but the salary values of each grade overlap with other grades.

Conclusion

Based on the results of research and analysis that has been carried out, it can be said that PT ABC Lampung City is level four in a compensation system based on the hierarchy contained in its organizational structure. At level four there is one position, namely branch head, at level three there are
three positions occupied by supervisory positions, at level two filled by three positions, namely the position of deputy supervisor, and at level one occupied by twenty-one positions, namely staff.

Based on the analysis using the job point system method, the factors that become the basis for determining salaries are based on weighting at PT ABC Lampung City in order from the highest to the lowest, namely responsibility for finances, responsibility for decision making, education, consequences of mistakes, work experience, working conditions, responsibility for the work of others, social skills (cooperation and communication), physical effort, work complexity.

After analyzing and improving the payroll system, it can be concluded that an effective compensation system to be applied by PT ABC Lampung City is to use the Overlapping method. This is because a minor difference is obtained when compared to using adhered by using the overlapping method. So it is more effective to use the overlapping method, which allows for overlapping salaries between levels.

Suggestions that can be given in this study include, among others, in paying PT ABC Lampung City, they can make salary improvements with the Overlapping method because the difference in salary obtained through this improvement is less than the Adhered method and still meets the budget for operational salary expenses.

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