



## Designing a Salary Structure for SME XYZ in the Bogor Regency Using a Regression-Based Approach Based on Job Value

Moreno Verli Widjanarko<sup>1</sup>, Fahrur Rozi Harahap<sup>2</sup>, Vanessa Azzahra Latief<sup>3</sup>, Imantaka Brilllianda<sup>4</sup>, Lindawati Kartika<sup>5</sup>

<sup>1,2,3,4,5</sup>Institut Pertanian Bogor

Received: 28 Juni 2023

Revised: 3 Juli 2023

Accepted: 10 Juli 2023

### Abstract

*Small and Medium Enterprises (SMEs) play a crucial role in contributing to the economy, with the potential to sustain and drive national economic growth. Among the various industries within the SME sector, the culinary sector is often chosen by SME entrepreneurs. Within SMEs, human resources hold significant importance. The effectiveness of employees in fulfilling their responsibilities within the organization is vital for ensuring smooth business operations. Establishing a robust compensation system is of utmost importance for Indonesian SMEs. A well-designed, adequate, and equitable compensation system is necessary to appropriately recognize employees' contributions to the organization. This research aims to identify the existing compensation system, analyze the underlying factors influencing payroll decisions, and evaluate the ideal salary system for implementation. Primary and secondary data sources are utilized in this research. A nonprobability sampling method, specifically census sampling, is employed. The point system method and simple linear regression analysis are utilized to analyze the data. The factors influencing salary determination at SME XYZ are ranked in order of significance as follows: Responsibility for Records and Reports, Job Complexity, Decision Making, Customer Service Orientation, Responsibility for Equipment, Communication, Initiative, Working Conditions, Experience, and Education. The recommended payroll structure for implementation at SME XYZ is the non-classification payroll structure. This structure offers benefits such as simplified job clustering and improved accuracy in employee career development.*

**Keywords:** Compensation, Job Evaluation, Job Value, Small Medium Enterprises (SMEs)

(\*) Corresponding Author: [moreno.vrll@gmail.com](mailto:moreno.vrll@gmail.com)

**How to Cite:** Widjanarko, M. V., Harahap, F. R., Latief, V. A., Brilllianda, I., & Kartika, L. (2023).

Designing a Salary Structure for SME XYZ in the Bogor Regency Using a Regression-Based Approach

Based on Job Value. <https://doi.org/10.5281/zenodo.8176189>

## INTRODUCTION

The term "small and medium enterprises" (SMEs) pertains to commercial entities that are managed within a range of modest to moderate proportions. As per Law of the Republic of Indonesia No. 20/2008 pertaining to MSMEs, a small-scale enterprise is a self-sufficient or autonomous productive economic entity that is owned by individuals or groups and functions independently of its parent organization. Such businesses generate annual revenues ranging from Rp 300 million to Rp 2.5 billion. On the other hand, a medium-sized enterprise is a productive economic entity that operates independently and is not a subsidiary or branch of a larger corporation. These businesses generate annual revenues ranging from Rp 2.5 billion to Rp 50 billion.

Small and Medium Enterprises (SMEs) are crucial contributors to the economy, possessing the potential to sustain and propel national economic growth. The prosperity of a country's economy is contingent upon the triumph of its small and medium-sized enterprises (SMEs) (Sudartono et al., 2022). According to Bank Indonesia (2020), small and medium-sized enterprises (SMEs) constituted 99.99% of all business units and provided employment to 97.0% of the overall workforce in 2018. Furthermore, it is noteworthy that SMES make a significant contribution to the gross domestic product (GDP) of the nation, amounting to 60.5%, and they also represent a substantial proportion of the total employment, accounting for 96.9% (Coordinating Ministry for Economic Affairs of Indonesia, 2022). According to (Nasution & Lubis, 2018), the development of small and medium-sized enterprises (SMEs) is a crucial component of the national and regional economic framework. This is achieved through a partnership model that fosters collaboration between SMEs and larger industries, resulting in a synergistic effect that enhances economic growth.

The culinary sector is one of the SME industries that SME actors frequently select (Suci, 2017). Food is one of the essential human requirements, hence businesses in the culinary industry are deemed to be promising (Zuari et al., 2013). The culinary sector provided IDR 455.44 trillion or roughly 41 percent of the entire creative economy GDP of 1,134.9 trillion in 2020 (Ministry of Tourism and Creative Economy, 2022). The culinary industry sector is one of the main sectors that support the performance of the non-oil and gas processing industry. The culinary industry provided 37.77% of the non-oil and gas processing industry's gross domestic product in the first quarter of 2022 (Ministry of Industry of the Republic of Indonesia, 2022). Based on this, the culinary SMEs sector plays a significant role in Indonesia's economy.

In SMEs, human resources are a crucial aspect. Every business needs qualified human resources to attain its own objectives (Ariskha et al., 2020). The performance of an organization is determined by the performance of all its employees. For all businesses, employees are vital assets in order to carry out the production process and distribution (Naufalia et al., 2022; (Widodo & Yandi, 2022). Every company's success depends on the effectiveness of its employees, as they are involved in several business operations (A. R. Putra et al., 2020).

The success of employees in carrying out their responsibilities inside a firm is essential for the efficient operation of a business (Sugiarti et al., 2022). Performance is the willingness of an individual or group to carry out an activity and perfect it in accordance with their duties, with expected outcomes (Nursam, 2017). Workers do their best efforts and perform to the company's standards. According to Sutrisno et al. (2022), compensation is one of the elements that determine employee performance. Employees require fair compensation because the fair distribution of compensation makes them feel valued for their contributions to the organization. One strategy to ensure the success of SMEs is to give compensation that is fair and proportional to the task (Ramadhani, 2021).

Compensation, the determination of salaries, is one of the most critical and delicate concerns (a core function) in human resource management (HRM). It can have a key influence on employee retention, among other variables (Balogh et al., 2020) Kompensasi adalah imbalan jasa yang diberikan perusahaan kepada

karyawannya karena telah melakukan kewajiban dengan memenuhi segala tugasnya (Siswadi & Farisi, 2022). The existence of compensation is considered to have a favorable impact on the company's efforts to create its image and can motivate employees to perform more and demonstrate their qualifications (Manik et al., 2021),

According to Zhu et al. (2022), there are two forms of employee compensation, namely financial compensation and non financial compensation. Financial compensation is any sort of remuneration that can be cashed (Kusumawardani et al., 2020). There are two primary components to the financial compensation, namely direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations) (Dessler, 2018). On the other hand, Non-financial compensation is anything that employees get as a reward for the work they do for the company that isn't money (Sedarmayanti, 2017). Non-financial compensation is split into two categories: career (security in position, promotion opportunities, and recognition of work) and work environment (getting praise, friendly, comfortable working, conducive) (A. D. Putra, 2016).

The establishment of a good compensation system is crucial for Indonesia's SMEs. According to research conducted by Hartanto (2019) the compensation of employees of Tempe Crackers Production MSMEs in Sanan, Malang City has a significant impact on their performance. In accordance with research conducted by Cahya et al. (2021), the variable compensation has a positive and statistically significant effect on job satisfaction at MSMEs Lancar Ponsel Jogja Tronik. Compensation has a major impact on staff productivity in UMKM (Dewi, 2014). In addition, as compensation increases, the intention of employees to leave the company will lessen (Yudhistira, 2016).

The salary status of culinary SME employees who are still earning less than the City Minimum Wage (UMK) established in their individual regions might lead to issues such as SME employee turnover. The proper selection of compensable elements is one of the factors that must be addressed when determining the amount of compensation for SME employees (Kartika et al., 2022). Hence, a good, adequate, and fair compensation system in SMEs is required so that employees' contributions to the organization are appropriately rewarded.

SME XYZ is a small and medium-sized firm (SME) that operates in the food service industry. Its location may be found in the Bogor Regency of West Java. The wages at Small and Medium-Sized Businesses (SME) XYZ have not been adjusted to account for the minimum wage. Since SME XYZ is a large family restaurant with a Sundanese cultural theme, it has a large number of employees, and it has a wonderful view of a rice field, and since SME XYZ has not been able to implement a minimum wage similar to the Bogor City UMR, it was considered to be an ideal candidate for this research.

Based on the research background that has been described, the formulation of this research is as follows:

1. How do SMEs in the XYZ industry implement their compensation system?
2. What compensable factors are used to determine salary at XYZ SMEs?
3. What is the ideal salary system to be implemented by XYZ SMEs?

Based on the formulation of the problems that have been described, the objectives of this study are to identify the compensation system implemented by XYZ SMEs, analyze the compensable factors that are used to determine salary at XYZ SMEs, and analyze the ideal salary system to be implemented by XYZ SMEs.

## METHODS

### a. Research Framework

The framework starting from the background of the problem, problem formulation, research objectives, methods, to the output produced from this research is depicted by the framework shown in Figure 1.

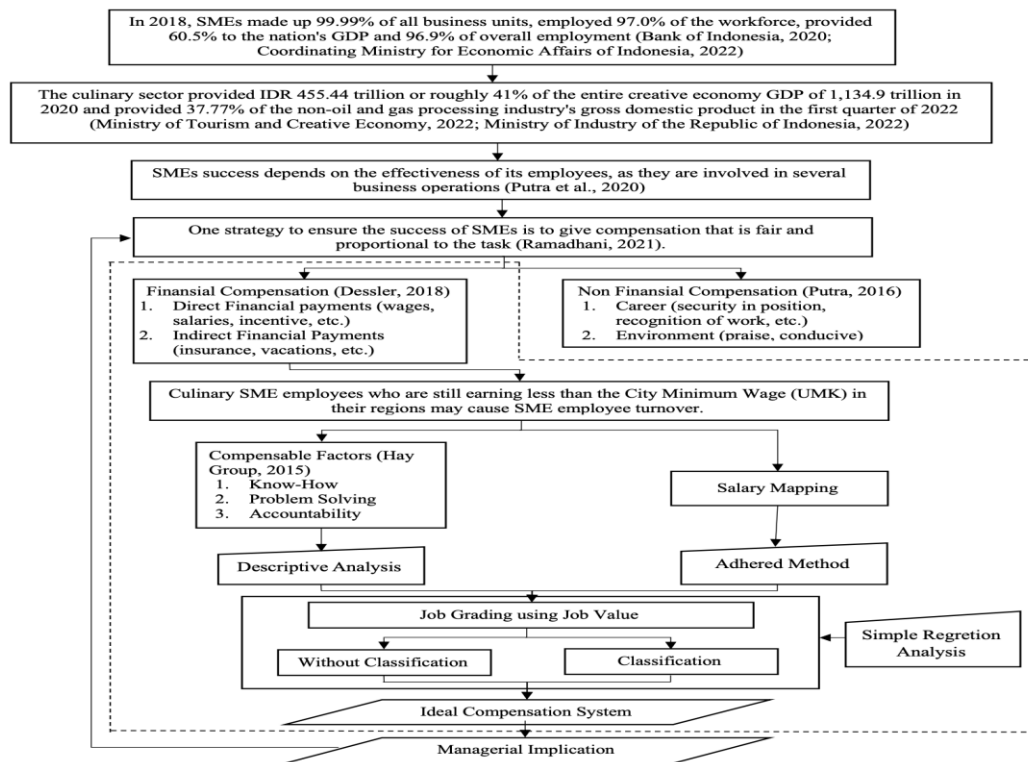


Figure 1. Research Framework

Description:

: Process     
  : Process Analysis     
 → : Research Flow  
 : Input/output     
  : Research Scope

Source: Ensmenger (2016)

As shown in Figure 1, According to statistical data from 2018, small and medium-sized enterprises (SMEs) constituted a significant majority of businesses, comprising 99.99% of all businesses. These enterprises also employed a substantial proportion of the labour force, accounting for 97.0% of employment. Additionally, SMEs contributed significantly to the nation's gross domestic product (GDP), with a total contribution of 60.5%. Furthermore, SMEs accounted for a significant proportion of total employment, comprising 96.9% of all employment. The culinary industry made a significant contribution to the creative economy's gross domestic product (GDP) in 2020, accounting for nearly 41% of the total GDP of 1,134.9 quadrillion IDR. Additionally, in the first quarter of 2022, the industry contributed 37.77% of the non-oil and gas processing industry's GDP. Small and medium-sized

enterprises are dependent on the effectiveness of their workforce, given their involvement in various business functions. One strategy to ensure the success of small and medium-sized enterprises is to offer equitable and proportional remuneration for the assigned duties. However, the potential for turnover among employees of small and medium-sized enterprises (SMEs) in the culinary industry persists in regions where they earn less than the City Minimum Wage (UMK). Therefore, it is imperative that small and medium-sized enterprises (SMEs) establish a compensation system that is effective, sufficient, and equitable. The present study will concentrate on small and medium-sized enterprises (SMEs) involved in the culinary industry located in Bogor Regency, which is situated in the province of West Java.

According to the results of the research carried out on SMEs in the Indonesian culinary industry, ten compensable factors are most frequently utilized to determine employee compensation. These are the ten compensable factors:

1. Education, is a component that measures the formal academic, technical, or vocational education required to perform the responsibilities of the position (Okanagan College, 2015).
2. Work Experience. This factor is used to measure the amount of work experience required to undertake the duties of the position (Okanagan College, 2015).
3. Communication. This factor evaluates a candidate's capacity for active listening in order to fully comprehend issues, reading comprehension, and the ability to clearly and succinctly communicate ideas both orally and in writing. To cater to a range of audiences, appropriately alter the message, style, and tone (Chicago State University, 2019).
4. Customer Service Orientation, in order to respond to and meet customer wants, requirements, and expectations, a company must be able to demonstrate a positive attitude and behavior that demonstrates awareness of and a readiness to respond to customers (Chicago State University, 2019).
5. Working Conditions. This factor assesses exposure to undesired or unpleasant working conditions, such as temperature, cleanliness, dust, temperature, smoke, bad scents, noise, vibration, illumination, and distractions (Okanagan College, 2015).
6. Initiative. This factor measures contribution to the written vision and mission, independent achievement of results, and proactive problem-solving and exploitation of chances (Chicago State University, 2019).
7. Decision Making. This factor measures the ability to detect and comprehend challenges, problems, and opportunities, compare facts from many sources to form conclusions, apply effective techniques to select actions or build solutions, and take the appropriate action (Harvard University, 2016).
8. Responsibility for the Equipment. This factor measures the level of responsibility for the acquisition, usage, and maintenance of buildings, equipment, and space, based on organizational goals, budgets, safety and security requirements, and set standards (National Institutes of Health, 2009)
9. Job Complexity, This factor is used to measure the amount of work that relates to the ability to focus on setting goals and attaining results, and it is accountable for ensuring that work is performed in accordance with specified commitments and quality standards (IRCC, 2020).

10. Responsibility for Records and Reports. This component measures the capacity to acquire data and information, evaluate it, and convert it into knowledge for planning, decision-making, or management reporting, which is then conveyed and distributed to various audiences, such as peers or superiors (Chicago State University, 2019).

**b. Research Location and Time**

The study was conducted at XYZ Micro and Small Enterprises, located in Bogor Regency, situated in the province of West Java. The study was carried out for a duration of five weeks, spanning from February to March in the year 2022. The XY company case study involved conducting all aspects of information gathering, data processing, data correction, and scientific article preparation offline.

**c. Data Types and Sources**

This research uses both primary and secondary data sources. Primary data was gathered by questionnaires to determine the wage data of all SME XYZ employees and questionnaires to determine the key job factors implemented at SME XYZ, Bogor Regency. This paper used secondary data that was collected from scientific articles, official annual reports, official websites, and records of related agencies that are relevant to the research.

**d. Data Processing and Analysis Methods**

The sample method used in this research is nonprobability sampling. According to Sugiyono (2017) non probability sampling is a sampling method in which each element or member of the population has unequal chances of being selected as a sample. This study utilized a sort of nonprobability sampling known as a census or saturated sampling. Census Technique is a sampling strategy in which the entire population is sampled (Sugiyono, 2017). Then, purposive sampling is employed to discover the criteria that constitute the basis for deciding the wage at SME XYZ, Bogor Regency. The Supervisor was the respondent who was sampled. The choice was decided since the expert was thought to be familiar with all of the company's responsibilities and duties.

Descriptive statistical analysis, salary mapping analysis, the system point approach, and simple linear regression were the processing and analytical techniques employed by SME XYZ to design a job value-based compensation system model system. Ms. Excel 2019 programme is also used for data processing. The collected data is then transformed into tables and graphs to facilitate conclusion drawing.

Descriptive statistics relate to the transformation of raw data into a format that facilitates comprehension and interpretation of the data or numbers provided. This descriptive analytical technique is used to describe and make conclusions from tabular or graphical data. A salary mapping analysis is conducted to identify the proportion of range dispersion and mid-to-high compensation from one position level to another. Then, compare the percentage difference between mid to mid and range spread with the optimum salary structure conditions, namely that mid to mid is less than range spread (Payscale Compensation Consultant, 2018). Under the point system, evaluators assign numerical value pins to particular job variables, such as necessary knowledge, and the sum of these values offers a quantitative assessment of the relative value of the job (Mondy, 2008). In this point system, the eckenrode weighting approach is also utilized to establish the weight of each job,

and simple linear regression is employed to estimate the average income variable, such that the equation-based salary computation yields a midpoint salary. The employee wage variable is employed as the y variable and the job point variable as the x variable in simple linear regression. After determining the midpoint salary, the basic salary and peak salary will be determined, resulting in three actual salary conditions. The three salary conditions are: underpaid, where the actual salary is less than the basic salary, in paid, where the actual salary is between the basic salary and peak salary, and overpaid, where the actual salary exceeds the peak salary. In addition, an ideal salary system will be created by freezing the overpaid condition and increasing the underpaid condition's pay to the minimum wage determined by the point system computation (Regina & Kartika, 2016).

## **RESULTS & DISCUSSION**

### ***Results***

#### **Overview of SME XYZ**

SME XYZ is a small and medium-sized enterprise (SME) XYZ operates in the food service business. It is located in the Bogor Regency of West Java. Established in 2021, SME XYZ is a restaurant that serves delectable food while also providing breathtaking views of the surrounding rice fields. SME XYZ has 75 employees. Nowadays, the competition in the culinary industry becomes more intense. Many challenges and threats have been encountered by XYZ SME, which have affected the restaurant's operations. Yet, SME XYZ is still thriving and expanding by adding new service lines, such as event organizers.

The XYZ SME has operated for less than two years. Thus, there are still numerous challenges and issues that must be executed and organized in a systematic and effective way. According to the BPS (2013), a medium-sized business employs between 20 and 99 employees. Given that XYZ SME employs 75 employees, it is therefore classified as a medium-sized business. Then, based on (Law of the Republic of Indonesia No. 20/2008), XYZ SME is therefore classified as middle class because its annual sales income exceeds Rp 300,000,000,- (three hundred million rupiah) and does not exceed Rp 2,500,000,000,000,-. (two billion five hundred million rupiah).

#### **Analysis of Compensable Factors in the Compensation System of XYZ SME**

The Hay Method is used to identify compensable factors. The Hay Method is a performance evaluation approach comprised of three criteria: knowledge, skills, and experience (know-how). Issue resolution and accountability Know-how is appropriate information and skills for performing tasks. The knowledge and skill aspects can include both practical procedures in the field of study and practical interpersonal abilities. Problem solving is the application of knowledge to recognize, describe, and resolve issues. The surroundings and difficulties in which the thought process occurs are factors. Meanwhile. Accountability refers to the duty associated with the ability of a position to deliver outcomes and the significance of these results to the organization. Accountability factors include the extent of control over human resources, standard operating procedures, and financial indicators. The ten compensable factors utilized by the XYZ SME, as determined by the findings of the research, are listed in Table 3 below.

Table 1. Analysis of Compensable Factor and the point system

No	Category	Sub Factor	Weight	Interval
1	Know-How	Education	1.67%	3.30
2		Experience	3.08%	6.07
3		Communication	8.76%	17.28
4		Customer Service Orientation	11.92%	23.53
5	Problem Solving	Working Condition	3.51%	6.93
6		Initiative	6.42%	12.67
7		Decision Making	13.51%	26.67
8	Accountability	Responsibility for the Equipment	9.08%	17.92
9		Job Complexity	16.21%	32.00
10		Responsibility for Records and Reports	25.84%	51.00

Source: Data Processed (2023)

Table 1 shows that responsibility for records and reports and the complexity of the work are the two compensable factors that have the most weight. In contrast, education and experience are the compensable qualities with the lowest weights. The establishment of the weight value is based on the evaluation of experts in their respective domains and refers to data in the field based on job qualification requests for each position.

### **Job Grading**

To classify jobs based on job titles, jobs are graded according to factor weighting. Job grading can be performed using the given grade technique. SME ABC's calculation of job value based on job grading is shown in table 2.

Table 2. Job Grading XYZ SME

No.	Position	$\Sigma N \times B$ (Job Value)	Given		Grade Given
			Bottom Range	Top Range	
1	Area Manager	1,381.32			
2	Assistant Manager	1,229.40	1184	1381	VI
3	Finance Manager	1,055.57	986	1184	V
			789	986	IV
4	Supervisor	677.68			
5	Marketing Officer	630.58	592	789	III
6	Head Chef	629.47			
7	Chef 1 (main dish)	586.22			
8	Chef 2 (pastry)	523.64			
9	Chef 3 (appetizer)	502.43	394	592	II
10	Head Bar	411.79			
11	Barista	324.77			
12	Kitchen Staff	319.38			
13	Warehouse	276.51			
14	Cashier	276.51			
15	Receptionist	287.75			
16	Waiters	254.66	197	394	I
17	Security	263.03			
18	House Keeper	248.41			
19	Runner	231.13			
20	Gardener	197.37			
21	Parking Staff	197.37			

Source: Data Processed (2023)

The researcher chooses the quantity of grades in the given grade method, as shown in Table 2. The highest job value minus the lowest job value, multiplied by the total number of grades, yields the quartile. According to Table 4, there are no job positions that suit Level IV.

#### **SME XYZ Compensation System Condition**

Salary mapping by position can be used to further examine the condition of the 2023 implementation compensation system. Positions at XYZ SME are classified into 6 classes, namely class I (Barista, Kitchen Staff, Warehouse, Cashier, Receptionist, Waiters, Security, House Keeper, Runner, Gardener, Parking Staff), class II (Chef 1 (main dish), Chef 2 (pastry), Chef 3 (appetizer), Head Bar), class III (Marketing Officer, Head Chef, and Supervisor), class V (Finance Manager), and class VI (Area Manager and Assistant Manager). The findings of the actual salary mapping can be seen in Table 3.

Table 3. Salary Mapping

No.	Position	Grade	Total Person	Total Salary	Actual			Actual		Desc.
					Min (Rp)	Midpoint (Rp)	Maximum (Rp)	Mid to Mid	Spread	
1	Manager Area, Assistant Manager	VI	2	25000000	10000000	12500000	15000000	56.3%	50.0%	NI
2	Finance Manager	V	1	8000000	8000000	8000000	8000000	45.5%	0.0%	NI
3	Supervisor, Marketing Officer, Head Chef	III	6	31900000	4900000	4950000	5500000	32.0%	34%	NI
4	Chef 1 (main dish), Chef 2 (pastry), Chef 3 (appetizer), Head Bar	II	4	15300000	3000000	3750000	4500000	87.5%	50.0%	NI
5	Barista, Kitchen Staff, Warehouse, Cashier, Receptionist, Waiters, Security, House Keeper, Runner, Gardener, Parking Staff	I	62	124300000	1500000	2000000	2500000		66.7%	

Desc: I=Ideal, NI=Not Ideal

Source: Data Processed (2023)

According to the results of salary mapping shown in Table 3, the existing salary conditions are insufficient because in all positions, the value of the mid to mid is higher than the value of the range spread. It is considered not ideal because the gap between one position level and the next is too wide and does not coincide, resulting in an excessive salary increase. This indicates that internal justice has not been established in the business.

### Salary System Without Classifications

The actual salary conditions in the salary system without classification, as determined by calculations using the point system, are demonstrated in Table 4.

Table 4. Analysis results of salary system without classification

No	Position	Number of Employees	Job Point (X)	Actual Monthly Salary (Y) (Rp)	Mid Point Salary (Rp) $y=9537,6x-690522$	Base Salary (Rp) (MP*0.81)	Peak Salary (Rp) (MP*190%)	UP	IP	OP
1	Area Manager	1	1381	15000000	12483969	10112015	23719542		1	
2	Assistant Manager	1	1229	10000000	11035049	8938390	20966593		1	
3	Finance Manager	1	1056	8000000	9377058	7595417	17816411		1	
4	Supervisor	4	678	5500000	5772943	4676084	10968592		4	
5	Marketing Officer	1	631	5000000	5323692	4312190	10115014		1	
6	Head Chef	1	629	4900000	5313102	4303613	10094894		1	
7	Chef 1 (main dish)	1	586	4500000	4900639	3969517	9311213		1	
8	Chef 2 (pastry)	1	524	4000000	4303744	3486033	8177113		1	
9	Chef 3 (appetizer)	1	502	3800000	4101418	3322149	7792694		1	
10	Head Bar	1	412	3000000	3236956	2621934	6150216		1	
11	Barista	2	325	2500000	2406988	1949660	4573277		2	
12	Kitchen Staff	10	319	2500000	2355644	1908071	4475723		10	
13	Warehouse	2	277	2200000	1946761	1576876	3698845		2	
14	Cashier	2	277	2100000	1946761	1576876	3698845		2	
15	Receptionist	3	288	2100000	2053900	1663659	3902409		3	
16	Waiters	8	255	2000000	1738364	1408075	3302892		8	
17	Security	6	263	2000000	1818162	1472711	3454508		6	
18	House Keeper	10	248	2000000	1678724	1359766	3189575		10	
19	Runner	8	231	1800000	1513913	1226269	2876434		8	
20	Gardener	5	197	1600000	1191890	965431	2264591		5	
21	Parking Staff	6	197	1500000	1191890	965431	2264591		6	

Desc: UP: Under Paid, IP: In Paid, OP: Over Paid

Source: Data Processed (2023)

Table 4 shows that all 75 employees are already in the "in paid" status. The next step is to create a scatter diagram from the computation results, as shown in Figure 2.

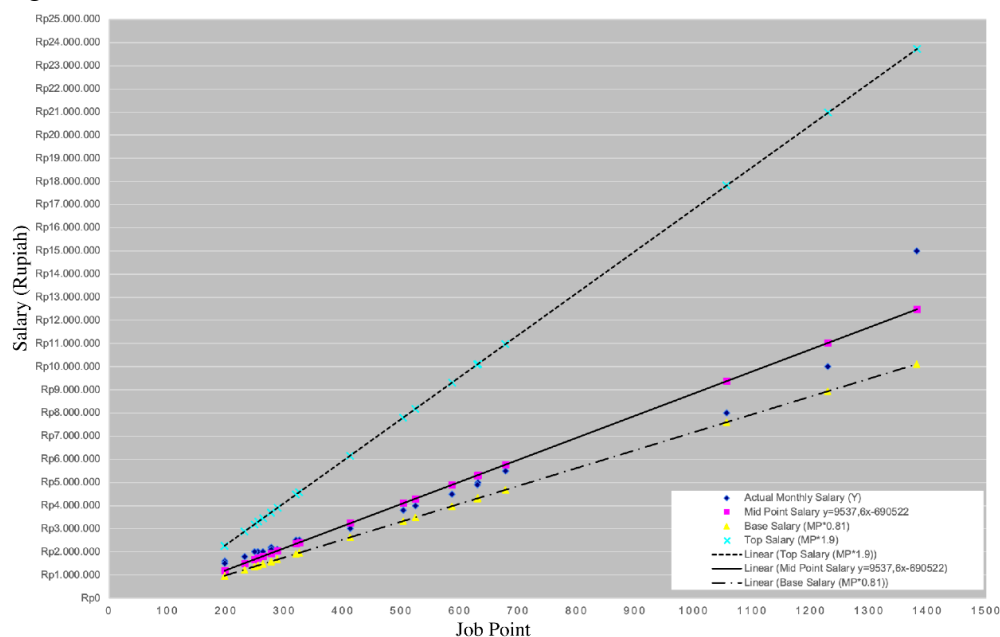


Figure 2. Scatter diagram of salary system without classification using linear regression

Figure 2 shows a scatter diagram where the x-axis represents the work value points and the y-axis represents the employee's income. The point between the bottom and top lines represents the In Paid state. As shown in Figure 2, there are no points indicating that the actual salary is below the base salary and there are no points indicating that the actual salary is over the maximum salary. Thus, it can be determined that the salary system is ideal, with a total amount of Rp204,500,000 in actual salary that must be issued.

### Salary System with classification

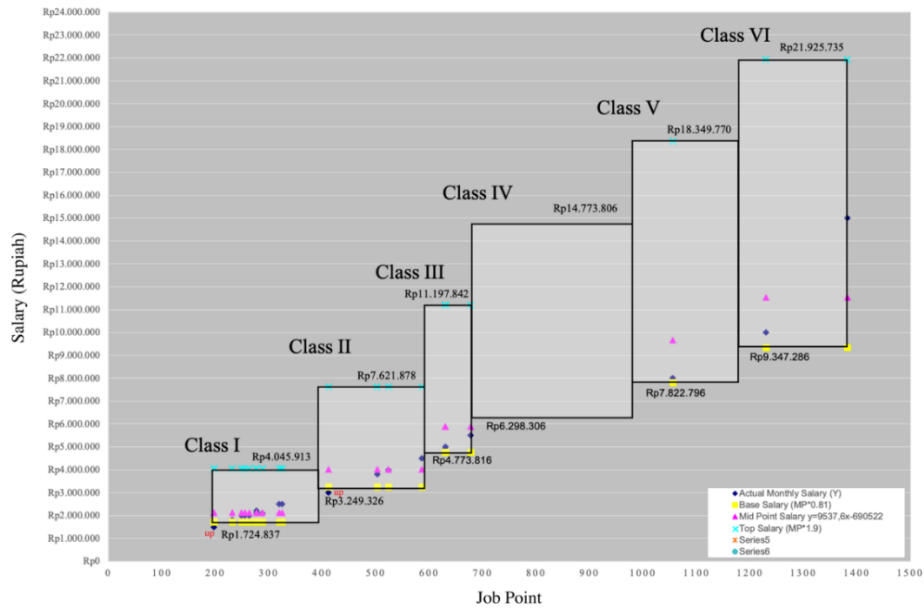
Classification is performed to see whether the evaluated salary system can be separated into the six classes outlined in Table 2. Classification of the salary structure is also analysed. The first step in establishing a salary system with classification is determining the gap between each class. For the classification itself, six classes are selected. The next step is to establish the weight of the lowest, middle, and highest points in each class. The processing results of the salary structure with classification is shown in Table 5.

Table 5. Calculation results of salary system with classification

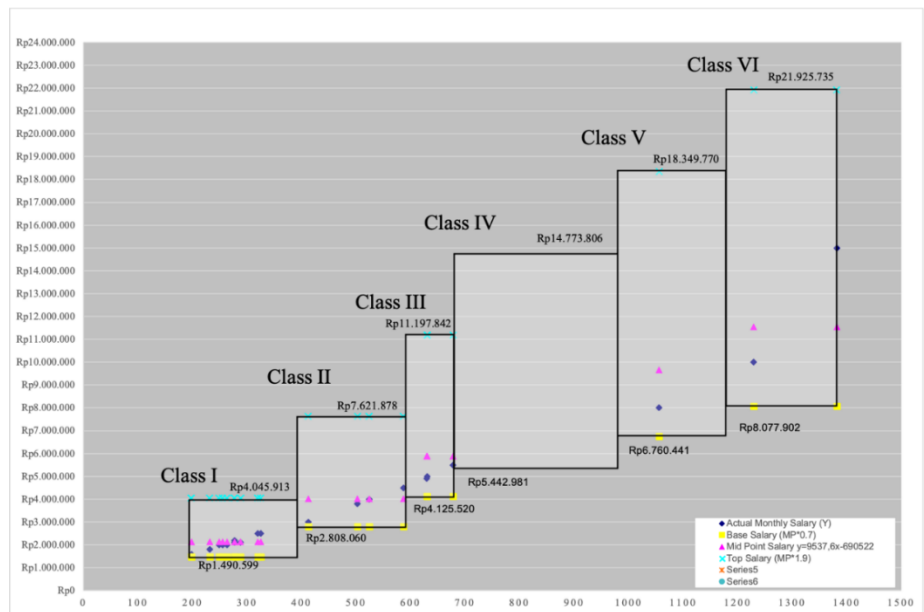
Class	Bottom Point	Top Point	Middle Point	Minimum Actual Salary (Rp)	Maximum Actual Salary (Rp)	Mid Point Salary (Rp)	Base Salary (MP*0.81%) (Rp)	Peak Salary (MP*1.9) (Rp)	Increase (%)
1	197	394	296	1500000	2500000	2129428.4	1724837.004	4045913.96	
2	394	592	493	3800000	4900000	4011514.8	3249326.988	7621878.12	88%
3	592	789	690	4900000	5500000	5893601.2	4773816.972	11197842.28	47%
4	789	986	888			7775687.6	6298306.956	14773806.44	32%
5	986	1,184	1,085	8000000	8000000	9657774	7822796.94	18349770.6	24%
6	1,184	1,381	1,282	10000000	15000000	11539860.4	9347286.924	21925734.76	19%

Source: Data Processed (2023)

According to Table 5, the lowest job point is 197. Meanwhile, the highest job point is 1,381. The distance between the lowest and highest points in each class is 197. After determining the class distinctions, the following step is to assign each individual to a position within the existing class. The midpoint is then utilised as a new job point during the processing of salary data. Subsequently, the results of the new salary structure are generated by classifying the employees as shown in Figure 3 and Table 6.



a)



b)

Figure 3. Scatter diagram of salary system with classification using linear regression implementation of 2023 (a) Scatter diagram of salary system with classification using linear regression ideal (b)

In contrast to the graph of the classification salary structure, where all points are between the upper and lower points, Figure 3(a) shows that there are three points outside the line between the base salary and the highest salary. To obtain the ideal salary, adjustments must be made to this salary structure with classification. Modifications are achieved by reducing the base salary range by 70% for employees who are in paid status to become under paid. The entire actual salary that must be issued at this time is Rp204,500,000. Due to the strategy utilized, which is to cut the base salary, there is no need to increase costs in order to obtain the ideal condition in the salary structure without classification.

Table 6 Salary structure results with classification

Grade	Number of Employees	Actual Monthly Salary Range	Base Salary	UP	IP	OP
VI	2	10000000 - 15000000	Rp 9,347,287		2	
VI	1	8000000	Rp 7,822,797		1	
III	6	4500000 - 5500000	Rp 4,773,817		6	
II	4	3000000 - 4500000	Rp 3,249,327	1	3	
I	62	1500000 - 2500000	Rp 1,724,837	11	51	

Source: Data Processed (2023)

The actual number of salaries with under paid conditions is 12, according to Table 6. There are 63 persons in paid status. Then, there is no over paid condition. Thus, the basic salary must be multiplied by 70% such that the actual salary falls between the base salary and the peak salary.

### **Managerial Implication**

Based on the discussion, SME XYZ can decrease the base salary so that all employees are in paid positions and there are no employees in under paid positions. There is no cost difference between the without classification and with classification methods. Based on the findings of the research, the payroll structure that is most suitable for application is the payroll structure without classification, since it is simpler to create job clusters and allows for more precise employee career development.

### **CONCLUSION**

The conclusions derived from the research and analyses conducted encompass the subsequent findings:

1. Through the utilization of Salary Mapping analysis on the compensation framework within SME XYZ it has been determined that a total of 10 job positions exhibit suboptimal circumstances, specifically referred to as Manager Area, Assistant Manager, Finance Manager, Supervisor, Marketing Officer, Head Chef, Chef 1 (main dish), Chef 2 (pastry), Chef 3 (appetizer), and Head Bar.
2. Following an analysis utilizing the job point system, the factors serving as the fundamental basis for salary determination at SME XYZ are ordered in terms of significance as Responsibility for Records and Reports, Job Complexity, Decision Making, Customer Service Orientation, Responsibility for the Equipment, Communication, Initiative, Working Condition, Experience, and Education.
3. The recommended payroll structure for implementation in SME XYZ is the non-classification payroll structure, as it offers advantages such as simplified job clustering and enhanced precision in employee career progression.

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