



## Remuneration of Vocational Higher Education: (Studies at State Vocational Colleges in Indonesia)

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### ABSTRACT

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The current study examines the importance of remuneration in universities in Indonesia. Remuneration has a role to increase the job satisfaction of educators which will have an impact on good work engagement. The results of previous studies have shown that there is a positive relationship between remuneration and employee performance in an organization. In its development, remuneration also applies to educational institutions such as universities, especially for education staff at vocational universities, namely lecturers. However, this type of study has been limited in Indonesia. The limited research that examines the motivation of educators for lecturers is the main reason why we carry out this research.

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**KEYWORDS:** higher education, vocational, remuneration.

### INTRODUCTION

Vocational higher education is education to prepare students to enter the workforce (Billet, S., 2009; Hiniker, LA.). Pavlova (2009) wrote that the tradition of vocational education is to prepare students for work. Vocational education is education that prepares the formation of skills, skills, understanding, behavior, attitudes, work habits, and appreciation of jobs that are needed by the entire business community/industry, supervised by the community and the government, or in a contract with an institution and on a productive basis.

Higher education is a service organization that relies heavily on Human Resources (HR) in achieving its goals (Arwidayanto, 2012). This means that higher education institutions need skilled and competent human resources. The success of an organization is highly dependent on the activities of utilizing human resources, namely people who provide energy, creativity and enthusiasm for the organization and play an important role in the operational functions of the organization. Human resources must always be considered, maintained, maintained and developed by the organization. As a work unit that organizes the Financial Management Pattern of the Public Service Agency (PPK-BLU) it can provide remuneration to management officials, employees and the supervisory board. The remuneration is given based on the level of responsibility and professionalism required (PP 23 of 2005). In its implementation, the current remuneration system in universities, both in public and private universities,

is considered by many to be unfair. Most universities still rely on class, rank and tenure. Such remuneration results in not much difference between lecturers who perform well and those who are mediocre (Prasetyo, Yunarso, & Nugroho, 2014). This can be caused by the design of the performance appraisal system that has not been objective. Compensation is one of the main factors in human resource management in organizations. Compensation is very important for both parties, namely for employees and the organization itself, as a medium to attract attention, retain, and motivate employees to work harder. Because compensation is one of the reasons someone works. Compensation can also serve as a major cause of employee satisfaction (Mabaso and Dlamini, 2017). Compensation and remuneration are complex and multidimensional factors of job satisfaction in higher education institutions.

### LITERATURE REVIEW

#### Remuneration Concept

Remuneration in general is something that employees receive in return for the results of the contributions they have given to the organization where they work. Remuneration has a broader meaning than salary, because it includes all forms of rewards, both in the form of money and goods, given directly or indirectly, and which are routine or non-routine (Trisnawati and Helmy, 2014). Meanwhile, according to Putri (2015) remuneration is all income in the form of money or goods received by

employees as remuneration for the performance given to the company. According to Gaol (2014), in principle the remuneration system is a system of awarding one position that has special requirements and is accepted by the position holder who is required to have certain competencies to carry out the function of the position. The remuneration system is often associated with the payroll system, fringe benefits, which are specifically related to the characteristics of the position, both functional and structural. According to Kawedar (2015) it is said that the synonym of remuneration is compensation, namely payment for services or performance provided by workers to the company.

Compensation is a form of payment given to employees. Compensation can be divided into two forms, namely: compensation provided directly and compensation provided indirectly (Dessler, 2013). Mathis and Jackson (2011) stated that compensation There are two types of compensation, namely intrinsic compensation and extrinsic compensation. Performance-based compensation in the philosophy of management science is compensation based on improving performance through bonuses and incentives (Amstrong, 2009). Thus, it can be concluded that compensation is a direct or indirect payment based on increased performance through bonuses and incentives in the form of remuneration. The application of remuneration can be realized by the existence of a regulation. Remuneration is the total compensation received by employees in return for services that have beenhe did. Usually the form of remuneration is associated with rewards in the form of money (monetary rewards) or can also be interpreted as wages or salaries (Milkovich and Newman, 1999). Remuneration is the awarding of prizes for services and so on. Every civil servant has the right to get a fair and decent salary in accordance with his workload and responsibilities (Purnomo and Banggu,2020) Remuneration is a reward or remuneration given to workers or employees as a result of the achievements that have been given in order to achieve organizational goals. The policy of providing remuneration as an award to employees for professional performance in realizing a clean and authoritative government (Suparlan et al, 2016)..

### **Remuneration Theory**

Remuneration contains two elements, namely compensation and commission (bonus). Commissions and compensation basically have the same goal, which is to motivate the workforce to improve work performance, efficiency, and performanceproduction effectiveness. Therefore, if compensation is given properly, employees will be more satisfied and motivated to achieve organizational goals. According to Listiani and Soesilowati (2013), there are five principles that need to be applied in the remuneration system, namely: 1. Merit system, namely determination of employee income based on the level of position 2. Fair, meaning that between positions with a burden of duties and responsibilities of a person's work with the same weight are

paid the same and jobs that require higher knowledge, skills and responsibilities will be paid higher. 3. Eligible, which means being able to meet the needs of a decent life, not just being able to meet the minimum needs. 4. Competitive, salaries earned by civil servants in the same qualifications as private employees can be equivalent. This is because people will compare the rewards they receive with other people. This phenomenon shows the importance of conducting market research and making payments according to market-related packages.5. Transparent, civil servants only receive official salaries and benefits.

Springer and Gardner (2010) state that a single salary or traditional salary schedule is based on the criteria of degrees earned and years of teaching experience, and both are considered most important over that time period. According to Fitria et al (2014) the effectiveness of the compensation or incentive system (in this case performance evaluation and financial rewards) depends on three characteristics perceived by employees: (1) transparency, (2) fairness and (3) control. These three characteristics are close to each other. Indonesia also has basic principles in establishing a remuneration system for state public service institutions. In the Regulation of the Minister of Finance of the Republic of Indonesia Number 176/PMK.05/2017 concerning Remuneration Guidelines for Public Service Bodies, Chapter II concerning Principles, article 3 explains that remuneration is given based on the level of responsibility and demands for professionalism by taking into account the principles: proportionality, equality, propriety, and performance.

Performance-based remuneration is a payment system that links rewards with performance. The implication of the concept is that someone who performs well will get a higher reward and vice versa. This means that the higher the performance achieved by the employee, the higher the reward will be. Thus, if this system can be implemented effectively, this system will have a positive impact on the organization because it will be able to improve employee performance and job satisfaction.

### **Remuneration Studies at the Latest Vocational Colleges**

One type of remuneration that exists is performance-based remuneration. Performance-based remuneration is a payment system that links rewards with performance. The implication of this concept is that someone who performs well will get a higher reward and vice versa. This means that the higher the performance achieved by the employee, the higher the reward will be. With this concept, employees will be more involved with their work. Based on the theory of performance-based compensation, it is said that the remuneration given in accordance with the workload will make lecturers feel happy and comfortable at work. The next impact is that lecturers will increase their work involvement voluntarily, both in physical and non-physical forms. This condition is influenced by the perception of the

suitability of remuneration with the workload. In addition, there is also a view that the needs of the lecturers have been rewarded in the form of remuneration. Employees who hold positions as lecturers are rewarded in the form of remuneration in the form of teaching/lecture performance to develop teaching and learning systems and develop learning models. Not only that, lecturers are also rewarded in research performance, community service, performance of supporting activities, and indirect rewards. Employees who hold positions as lecturers are rewarded in the form of remuneration in the form of teaching/lecture performance to develop teaching and learning systems and develop learning models. Not only that, lecturers are also rewarded in research performance, community service, performance of supporting activities, and indirect rewards. Employees who hold positions as lecturers are rewarded in the form of remuneration in the form of teaching/lecture performance to develop teaching and learning systems and develop learning models. Not only that, lecturers are also rewarded in research performance, community service, performance of supporting activities, and indirect rewards. The remuneration policy put forward by Ivancevich (2008) that performance will not be achieved optimally if the remuneration given is disproportionate, fair and appropriate. The use of remuneration as a reward for teaching staff in higher education is not only a form of independence but also as the responsibility of the leadership in increasing job satisfaction and work motivation of educators. Because basically this reward can meet the expectations of the teaching staff at work. The basic principle of remuneration policy is fair and proportional. This means that if the policy applies an equal pattern, then with the remuneration policy, the amount of income received by an official will be largely determined by the weight and price of the position he holds and the resulting performance. (Surya, 2004)

### **Vocational College Remuneration**

An effective remuneration system refers to the method used to reward or compensate employees for their work and services rendered to the organization. The remuneration system must provide basic attractiveness to employees to do work efficiently and effectively. Salary affects the productivity and work performance of employees. Thus, the amount and method of remuneration is very important for both management and employees. Armstrong, 2008). Compensation is a form of payment given to employees. Compensation is divided into two forms, namely direct compensation and indirect compensation (Dessler, 2013). Mathis and Jackson (2011) state that compensation consists of two types, namely intrinsic compensation and extrinsic compensation. Meanwhile, Armstrong (2009) states that there are other types of compensation, namely performance-based compensation which in the philosophy of management science is defined as compensation based on improving performance through bonuses and incentives.

Thus, it can be concluded that compensation is a direct payment or indirectly based on performance improvement through bonuses and incentives or remuneration.

According to Muchai et al (2018) remuneration packages consist of various payment methods and their accompanying benefits that can be used as motivators by modern companies and all form part of the human resource management philosophy prevalent in many organizations. Remuneration is also associated in the form of money (monetary rewards) or can also be interpreted as wages, salaries, allowances (Wajdi, 2013). Furthermore, according to Dutra (2002), remuneration is the reward received by an employee for services that have been provided to the organization that can be provided in the form of financial and non-financial with the aim of providing motivation and improving employee performance. According to Gupta and Shaw (2014), the design and implementation of compensation systems can not only affect employee motivation, but can also be leveraged to improve safety, quality, creativity, innovation and a myriad of other critical outcomes in a successful workplace. And that's what needed from educators to build the foundation of education. Gupta and Shaw (2014) mean to say is that every employee (teacher) whose compensation system is well designed is likely to provide the best feedback to ensure successful and effective performance. And it should not be ignored that people seek jobs that not only match their creativity and talents, but are compensated in terms of salary and other benefits accordingly (Osibanjo, Adeniji, Falola & Heirsmac 2014).

### **METHODOLOGY**

The method used in this study is a literature review that uses sources from reference books, as well as leading international journals in the EBSCO database, Scopus (Schimago Journal Ranking), Science Direct, Proquest, Google Scholar, and Microsoft. The topic of remuneration in vocational colleges.

### **RESULT AND DISCUSSION**

Based on the theory of performance-based compensation, it is said that the remuneration given in accordance with the workload will make lecturers feel happy and comfortable at work. The next impact is that lecturers will increase their work involvement voluntarily, both in physical and non-physical forms. This condition is influenced by the perception of the suitability of remuneration with the workload. Compensation is the output and benefits received by employees in the form of salaries, wages and also the same rewards as monetary exchanges for employees to improve performance (Holt, 1993). Payments are received for work performed on behalf of the person getting the job. Okwudili (2016) states that compensation is basic for them because according to

employees the amount or amount of compensation can represent the value of performance among employees. Employees will tend to compare the compensation and sacrifices given to the company. If the compensation system in the form of salaries or wages to employees is not appropriate, the company can run the risk of losing employees. In other words, companies need to spend more on recruiting, selecting, training and developing replacement employees. Performance-related pay has a direct impact on the performance of workers who create output through wages and workers are better able to provide a pay structure according to performance (Lazear, 1986).

Remuneration is a form of encouragement for lecturers to develop with remuneration that is considered equivalent to their work, so that lecturers will be more motivated to collect points as the basis for giving remuneration (Kustini and Purwanto, 2020). According to Araini et al (2012) Compensation is important to maintain the quality of teaching and to ensure and maintain an adequate number of skilled educators. Because compensation and working conditions can affect the demand and supply of educators. In addition, salary and working conditions can help in attracting, developing and retaining skilled and effective educators or lecturers. In a competitive labor market, the salary levels paid to different types of lecturers reflect supply and demand. A career structure, promotions and promotions, with age and experience-earnings can provide attractive high-quality pay incentives and increase job satisfaction and performance.

According to Onyekwelu et al (2020) remuneration is about the satisfaction that workers get for the work done which includes all forms of payment or rewards and increases satisfaction, moreover it supports organizations to acquire, retain and retain a useful workforce. It is believed that remuneration is the "stick" that binds workers and businesses together and in cooperating organizations, it is further classified as a legally binding contract and specifies the amount to be paid to employees and their components. from the remuneration package There are many factors that affect remuneration payments, Millvier and Newman (2005) conducted a study that showed each individual can get different quality performance payments can consider the level of efficiency to make payments according to performance, incentive bonuses are a form of reward and an individual function of individual performance and ratings. them (Heneman & warner, 2005).

According to Campbell (1998) remuneration is most commonly used for employee performance appraisals, which means that payments have been frequently used in organizations. Remuneration can play an important role for performance. Educators feel the institution provides value to improve their performance. According to Akerale (1991) it also makes the workforce productive and working hard. Highly motivated employees build profits for their company and help the organization to achieve its goals (Rizal and Ali,

2010). Decenzo et al (1999) say that the motivation of teaching staff productivity can be increased by providing effective recognition that results in improving organizational performance. Organizations that motivate employees by providing compensation can assess their performance. Remuneration reflects the level of responsibility of the lecturer. Therefore, the performance of lecturers must be rewarded accordingly. Otherwise, lecturers will be reluctant to expose their potential and accept greater responsibility. This is due to the relationship with a heavier workload as well. Decenzo et al (1999) say that the motivation of teaching staff productivity can be increased by providing effective recognition that results in improving organizational performance. Organizations that motivate employees by providing compensation can assess their performance. Remuneration reflects the level of responsibility of the lecturer. Therefore, the performance of lecturers must be rewarded accordingly. Otherwise, lecturers will be reluctant to expose their potential and accept greater responsibility. This is due to the relationship with a heavier workload as well. Decenzo et al (1999) say that the motivation of teaching staff productivity can be increased by providing effective recognition that results in improving organizational performance. Organizations that motivate employees by providing compensation can assess their performance.

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The implication of this concept is that lecturers who perform well will receive higher rewards and vice versa. That is, the higher the performance achieved, the higher the reward. With this concept, employees will be more involved with their work. Lecturers as human resources in this case are the most valuable asset of an organization, they are the ones who determine the success or failure of organizational programs and activities. In order to retain a hard working and results-oriented workforce, organizations should implement a remuneration system which is intended

to increase employee retention rates to reduce employee turnover rates, to improve good relations between employers and employees, increase employee productivity, employee job satisfaction to achieve organizational goals. (Livingstone, 2009).

## **CONCLUSION**

This research is limited because it only examines remuneration at state vocational universities in Indonesia. On the other hand, there are other factors that can be applied in state universities to improve the performance of lecturers in carrying out their performance. Leaders in organizations if they want to improve performance or work involvement of lecturers need to consider the remuneration given

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