WAGE STRUCTURE EVALUATION BASED ON DECENT LIVING NEEDS AT A SERVICE FIRM

By:

Rifa Cansa Larasati[1*]
Farida Ratna Dewi[2]
Lindawati Kartika[3]

[1,2,3]IPB University, Department of Management, Bogor, Indonesia

Email:

rifacansalarasati29@gmail.com[1*]
farida@apps.ipb.ac.id[2]
[3]linda@apps.ipb.ac.id[3]

ABSTRACT

Indonesian regulation requires every company to design a wage structure and scale, yet a small cleaning-service outsourcing firm in Bogor, West Java, had never conducted a systematic job evaluation or benchmarked its wages against employees' actual living costs. This study examined (1) firm's actual compensation system, (2) external wage adequacy, (3) internal equity, and (4) formulated a recommended wage structure and scale based on job value and decent living needs. Using a quantitative approach with a purposively selected sample of 34 head office employees across 22 positions, wages were compared against the regional decent living needs standard and employees' actual personal spending. A two-point method was applied to build the wage line, and job value was measured through a point-factor job evaluation with weighted compensable factors. The results showed that the firm still applied a single-rate pay system, that most employees received fixed wages below the decent living needs standard, and that most positions were misclassified relative to their evaluated job value. The recommended structure condensed 16 into 12 grades with a progressive range spread of 14–96%, raised the wage-to-decent-living-needs ratio to 62% and the wage-to-personal-spending ratio to 100%, and required a feasible 12% increase in total payroll. The findings offer a replicable, low-cost approach for small service firms seeking to align internal fairness with employees' cost of living.

Keywords: Decent Living Needs, Job Evaluation, Personal Spending, Two-Point Method, Wage Structure and Scale.

A. INTRODUCTION

Access to clean water, sanitation, and hygiene (WASH) remains an unresolved global public health issue. Unsafe WASH was linked to approximately 1.4 million deaths and 74 million disability-adjusted life (DALYs) years in 2019, with 89% occurring in low-middle-income countries (World Health Organization, 2023). In Indonesia, 85% of households had access to proper sanitation as of 2025,

yet only 10% had access to safely managed sanitation as of 2023, against a national target of 30% by 2029 (Badan Pusat Statistik, 2025). This gap that matters at scale given the country's 147.91 million workers and 55.51 million students across more than 200,000 education units (Badan Pusat Statistik, 2025; Kementerian Pendidikan Dasar dan Menengah, 2025; Kementerian Pendidikan Tinggi, 2026), and school-based hygiene programs have been found to reduce illness-related absence by around 25% (Hoyle et al., 2025).

The Core Business Focus principle explaining that outsourcing non-core processes enables organizations to achieve economies of scale and improved quality through specialization (Taponen & Kauppi, 2020). As large institutions increasingly delegate cleaning and hygiene management to third parties, Indonesia's contract-cleaning services market is projected to grow 70%, from USD1.96 billion in 2023 to USD3.32 billion by 2032 (Credence Research, 2025).

This growth has created room for price-competitive providers to serve education and office clients whose budgets cannot absorb the rates charged by large national providers. PT XYZ, a small outsourcing enterprise in Bogor, West Java, occupies this segment, and its sustainability depends heavily on managerial staff who coordinate operations, client contracts, and field partners. Downward price pressure in this segment risks being transmitted into their compensation. Equity Theory holds that employees judge fairness by comparing their input-to-output ratio against relevant referents (Adams, 1963), and when employees perceive their pay as unfair, this perception has been shown to reduce motivation and increase turnover intention (Chen et al., 2023). Outsourcing employees' turnover intention is shaped in part by satisfaction with compensation (Ardiansyah et al., 2026), and losing capable staff threatens a lean-structured SME's ability to retain clients.

Indonesian regulation (PP No. 36/2021) requires every company to formulate a wage structure and scale. PT XYZ as a SMEs constrained by limited strategic decision-making capacity and financial access (Bakhtiari et al., 2020; Harney & Alkhalaf, 2021). It makes SMEs rarely conducted a systematic job evaluation or benchmarked its wages. PT XYZ as a small cleaning-service outsourcing firm in Bogor, West Java, reflects this condition.

Previous studies have addressed parts of this problem. Hasanah et al. (2024) show that minimum-wage increases in Indonesia reduce food insecurity among workers, while Utami et al. (2024) find that output-based pay meets only the poverty line, not the fuller decent-living standard. At the firm level, Rizaldy et al. (2020) did job evaluation in Bogor's retail industry and reveal a gap between normative decent living needs (KHL) components and employees' spending priorities. Kartika & Indrawan (2019) confirm that point-system job evaluation is feasible in resource-constrained firms. However, these studies before examine internal equity and wage adequacy separately, and living costs comparations has relied on spending priorities rather than employees' actual personal spending. Therefore, no study has integrated job-value-based internal equity, KHL, and actual personal spending into one wage recommendation for an outsourcing SME. This study addresses that gap, and its novelty lies in three aspects. This study addresses by analyzing (1) existing compensation structure was analysed reflects on Pay for Person, Pay for Position, and Pay for Performance; (2) external wage adequacy by

comparing employees' wages with the KHL standard and with their actual personal spending; (3) internal equity by calculating the job value of each position and arranging a new job grading based on those values; and (4) it builds a new wage structure and scale from both internal equity and external wage adequacy, while remaining within the firm's ability to pay, offering a practical and replicable approach for small service firms.

B. LITERATURE STUDY

Compensation

Compensation comprises all financial and non-financial payments an organization provides in exchange for an employee's contributions (Dessler, 2017). Ashraf (2020) frames these payments through a complementary 3P system: Pay for Position (job value), Pay for Person (individual competence), and Pay for Performance (measurable results).

Equity Theory

Equity Theory (Adams, 1963) holds that employees compare their input-to-output ratio against relevant referents, and a perceived imbalance can reduce effort or increase turnover intention (Chen et al., 2023). Dessler (2017) saggregates this into internal, external, individual, and procedural equity, of which internal and external equity form the primary lenses for this study.

Job Evaluation

Internal equity is operationalized through job evaluation. The point-factor method is the most objective technique, as it decomposes a job into explicitly defined compensable factors and converts judgments into comparable scores (Dessler, 2017; Lott, 1926), provided the factors chosen are sufficient and distinctive enough to discriminate between jobs. This study adapts the Hay Group's know-how, problem-solving, and accountability clusters into six operational sub-factors.

Wage Structure and Scale

Permenaker No. 1/2017 defines a wage structure and scale as an ordered set of wage levels with a defined range per grade, constructed via simple ranking, the two-point method, or the point-factor method. The two-point method, which anchors a wage-policy line between the lowest and highest grades, offers a workable balance of rigor and simplicity for a resource-constrained SME.

Decent Living Needs

Wage adequacy differs from external equity: it benchmarks pay against a normative cost of living rather than competitor pay, following (Anker & Anker, 2017) living-wage methodology, operationalized in Indonesia as the Kebutuhan Hidup Layak (KHL) standard, a normative floor that complements market benchmarking where labor oversupply keeps market wages below basic needs.

Personal Spending

A complementary lens is employees' actual personal spending (Kapoor et al., 2020). Prior work on Bogor retail workers found a gap between normative KHL components and actual spending priorities (Rizaldy et al., 2020), indicating that normative standards alone can misrepresent real welfare.

C. RESEARCH METHOD

This study used a quantitative approach conducted at the head office of PT XYZ, a service outsourcing firm in Bogor, West Java, between March and May 2026. Data collection combined primary and secondary sources: a compensable-factor score matrix obtained from two internal experts (the Head of Human Resources and the HCP Supervisor); personal spending data obtained through structured interviews referencing decent living needs components; decent living needs prices verified through a market survey; and secondary data comprising the firm's existing wage structure and supporting regulations. The population consist of 40 employees and 229 outsourced partners; using purposive sampling with the criterion of having a structured pay at the head office Bogor (Etikan & Bala, 2017), the final sample consist of 34 employees distributed across 22 job titles, excluding the Director for confidentiality and excluding outsourcing partners whose pay follows client-contract terms rather than a firm-wide structure.

Wage adequacy was assessed by comparing each employee's fixed wage (base pay plus fixed allowances) against the decent living needs standard and their own personal spending, expressed as a ratio of actual wage to each benchmark. The wage structure and scale were then reformulated using the two-point method by Permenaker No. 1/2017, which derives every other wage-line parameter from two known reference points using the consideration summarized in Table 1.

Table 1.
Two-Point Method Formula Relationships

Minimum	Maximum	Spread	Midpoint
Known	Known	(Max-Min) x100% / Min	(Max + Min) / 2
Known	Min × (Spread + 1)	Known	Min × (Spread + 2) / 2
Known	(2 x Mid) - Min	2 x (Mid – Min) / Min	Known
Max / (Spread + 1)	Known	Known	Max × (Spread + 2) / [2 × (Spread + 1)]
(2 x Mid) - Max	Known	2 x (Max - Mid) / [(2 x Mid) - Max]	Known
2 × Mid / (Spread + 2)	2 × Mid × (Spread + 1) / (Spread + 2)	Known	Known

Source: Permenaker No. 1 Tahun 2017

The wage-policy line follows Y = a + b(X), where Y is the midpoint wage, X is the job-grade sequence number, b is the slope obtained from two anchor points, and a is the intercept; minimum and maximum wages for every intermediate grade are then derived by combining this line with the relationships in Table 1 and the progressive range-spread values specified for each job tier.

Internal equity was assessed through a point-factor job evaluation using Eckenrode weighting. Two experts independently ranked six compensable factors adapted from the Hay Group's know-how, problem-solving, and accountability clusters. Rankings were converted into a paired-comparison score matrix, aggregated into a relative weight per factor, and translated into a 1–1000 point interval table; every position was then scored on each factor and its total point value used to determine job grading.

D. RESULTS AND DISCUSSION

Characteristics of Employees

Employees were predominantly held a bachelor's degree (59%), belonged to Generation Z (65%), and had less than one year of tenure (62%), as summarized in Table 2. The high share of recent hires is consistent with a firm still in an active growth phase, and it heightens the importance of ensuring adequate pay at the entry grades, since newer employees have had the least time to accumulate financial buffers.

Table 2.
Employee Characteristics

Characteristic	Category	N = 34	%
Gender	Male	18	53%
	Female	16	47%
Education	Senior High School	12	35%
	Diploma (D3)	2	6%
	Bachelor's Degree (S1)	20	59%
Generation	Generation Z	22	65%
	Millennial	12	35%
Tenure	< 1 year	21	62%
	1–3 years	6	18%
	> 3 years	7	21%
Residence	Rented	11	32%
	Own / Family-owned	23	68%
Marital Status	Single	18	53%
	Married	16	47%

Source: Processed Data (2026)

Existing Compensation

PT XYZ's compensation structure follows the 3P framework of (Ashraf, 2020): Pay for Person is represented by base pay and the religious holiday allowance; Pay for Position by positional, accommodation, and employment-insurance allowances; and Pay for Performance by a performance allowance. However, within every filled job grade, all employees received an identical base pay, indicating that the firm in practice operated a single-rate pay system rather than the range-based structure its own policy intended.

Table 3.
Existing Compensation

Grade Person		Pay for Person			Pay for Position		Pay for Performance
		Base Pay	THR	Positional Allowance (IDR)	Accommodation Allowance (IDR)	Insurance Allowance (IDR)	Performance Allowance (IDR)
D_4	1	8,134,896	8,134,896	2,300,000	1,500,000	55,000	1,5-2M
D_3	-	-	7,395,279	2,000,000			
D_2	-	-	6,722,980	1,700,000			
D_1	2	6,111,800	6,111,800	1,400,000			
C_4	-	-	5,093,167	1,100,000	1,250,000		1,25-1,5M
C_3	-	-	4,630,152	800,000			
C_2	-	-	4,209,229	700,000	1,000,000		1-1,25M
C_1	-	-	3,826,572	600,000			
B_4	2	3,188,810	3,188,810	500,000			0,75-1M
B_3	3	2,898,918	2,898,918	425,000			
B_2	-	-	2,635,380	350,000	750,000		0,5-0,75M
B_1	6	2,395,800	2,395,800	275,000			
A_4	13	1,996,500	1,996,500	200,000	500,000		0,5M
A_3	-	-	1,815,000	150,000			
A_2	2	1,650,000	1,650,000	100,000			0,3M
A_1	6	1,500,000	1,500,000	-			

Source: Processed Data (2026)

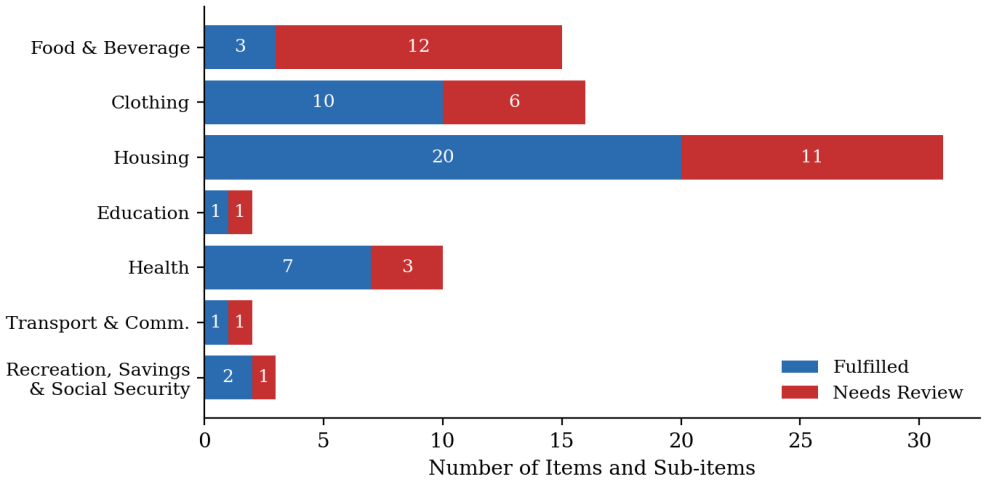
External Wage Adequacy: Decent Living Needs and Personal Spending

The West Java decent living needs standard for 2026, verified against a local market survey, totaled approximately Rp 4.12 million per month for a single worker, dominated by the housing component at 42% of the total, reflecting Bogor's relatively high cost of rented accommodation as a satellite city of Jakarta. Comparing employees' actual personal spending against this normative standard item by item (Figure 1) showed that 44 of 79 components (56%) were met by more than half of employees, but food and beverage as the second-largest budget category at 24%, was being lowest met on only 3 of 15 items (20%).

1. Food & Beverage: 3 of 15 items met (20%), as employees substituted staples with ready-to-eat food.
2. Clothing: 10 of 16 items met (63%), though sarongs and shoe polish were nearly unmet.
3. Housing: 20 of 31 items met (65%); electricity was lowest (12%), as KHL assumes 1,300 watts vs. employees' actual ~900.

4. Education: 1 of 2 items met; television ownership was high (85%) but stationery spending low (35%).
5. Health: 7 of 10 items met (70%); hygiene products were well fulfilled, but rarely-purchased items lagged.
6. Transportation & Communication: 1 of 2 items met; phone credit/data reached 100% (259% above standard), transportation only 32%.
7. Recreation, Savings & Social Insurance: 2 of 3 items met; recreation and savings far exceeded standard, but social insurance was critically low (15%)

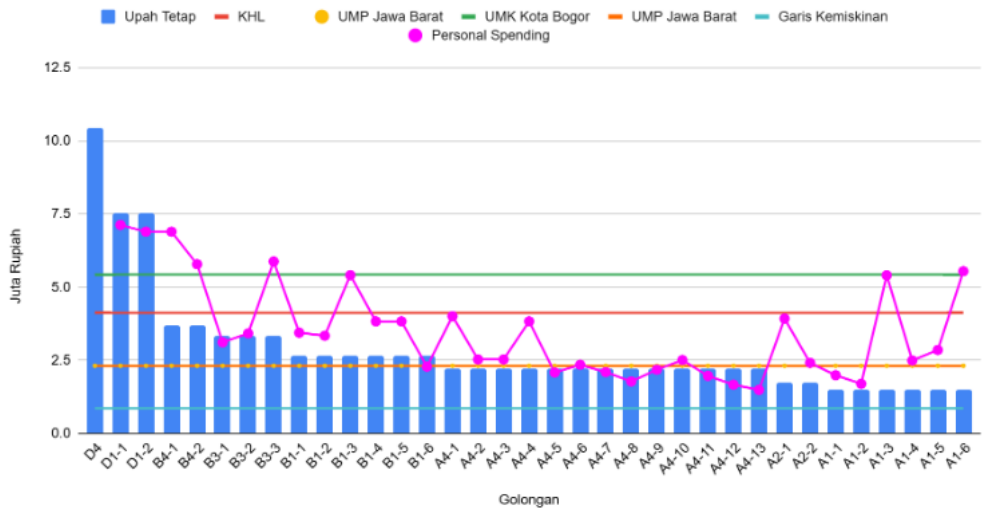
The pattern shows that low fulfillment does not always mean financial inability, it also reflects consumption substitution, shared household costs, or outdated normative assumptions in the KHL standard itself.



Source: Processed Data (2026)

Figure 1.
Distribution of Decent Living Needs Fulfillment Based on Personal Spending

Based on the mode calculation for purchases of each item in the KHL instrument, the purchase mode was found to be 1.68 million, suggesting that this is the most common purchasing level among employees. Comparing each employee's fixed wage against both benchmarks (Figure 2) showed that 32 of 34 employees (94%) earned a fixed wage below the West Java KHL standard, and 23 of 34 (68%) earned below their own reported personal spending. This indicates that most employees depend on variable performance or accommodation allowances just to cover routine living costs, which creates income uncertainty rather than a guaranteed living wage. The median wage-to-KHL ratio was 53% and the median wage-to-personal-spending ratio was 83%, confirming that the firm's fixed-pay component alone does not meet even employees' own reported cost of living for the majority of staff.



Source: Processed Data (2026)

Figure 2.
Distribution of Wage Adequacy Relative to KHL and Personal Spending

However, the Social Insurance component was fulfilled by only 15% of employees, with average spending of roughly Rp40,000 against a KHL standard of Rp 115,000. That gap combined with the fact that the firm's existing allowance structure covers only work-accident and death insurance (BPJS Jaminan Kecelakaan Kerja and Jaminan Kematian), suggests employees' old-age security (BPJS Jaminan Hari Tua) contributions required under Perpres No. 109/2013 may not yet be fully registered, a compliance issue independent of the wage-adequacy question.

Internal Equity by Job Evaluation

The Eckenrode weighting by 2 expert include Head of HR and HCP Supervisor (Table 4) identified Freedom to Act as the most decisive factor in job value (32%), consistent with the Hay Method's premise that accountability for consequential decisions is what most differentiates job value, while Formal Education carried the lowest weight (4%) because it functions mainly as a recruitment prerequisite rather than a differentiator of ongoing job value.

Table 4.
Eckenrode Compensable Factor Weighting Results

Compensable Factor	Expert 1	Expert 2	Total Score	Weight
Freedom to Act	32	27	59	32%
Working Complexity	23	23	46	25%
Working Experience	12	17	29	16%
Human Relation Skills	12	12	24	13%
Financial Responsibility	10	9	18	10%
Formal Education	2	6	8	4%

Source: Processed Data (2026)

Job evaluation results (Table 5) showed that 16 of 22 positions (73%) required regrading relative to the existing structure. Misalignment followed four recurring patterns: positions with equal job value were placed in different grades (for example, Finance/Accounting/Tax Supervisor and Human Capital Personalia Supervisor, both scoring 656 points, sat three grades apart); positions with higher job value were graded below positions with lower job value (Finance Accounting Staff at 359 points sat below three positions scoring under 350 points); single grades spanned an excessively wide value range (Grade B1 alone spanned 349 to 656 points); and the entire manajerial tier had no employee at all. Following Adams (1963) and Dessler (2017), each of these patterns represents an inconsistency between the input-output ratio of comparably situated jobs, which is precisely the condition under which perceived inequity and by extension turnover intention is expected to arise (Chen et al., 2023).

Table 5.
Job Value Evaluation and Grading Results

Job Title	Grading	Poin	Min point	Max point
Director	C_4	1000	945	1000
Head of Operation & Human Resources	C_3	931	890	945
Head of Marketing	C_3	931		
-	C_2	-	835	890
-	C_1	-	780	835
-	B_4	-	713	780
Finance, Accounting, Tax Supervisor	B_3	656	646	713
Human Capital Personalia Supervisor	B_3	656		
Supervisor Operational B2C	B_2	634	579	646
Supervisor Operational B2B	B_2	634		
Supervisor Marketing and Sales	B_2	634		
Finance, Accounting, Tax Junior Supervisor	B_1	576	512	579
Operational Junior Supervisor	B_1	576		
-	A_4	-	422	512
Talent Acquisition Staff	A_3	376	332	422
Finance Accounting Staff	A_3	359		
Sales B2B Officer	A_3	349		
Sales B2C Officer	A_3	349		
HR Operational Staff	A_2	285	242	332
B2B Area Coordinator	A_2	252		
Admin Operational B2C	A_2	249		
Admin Operational B2B	A_2	249		
Marketing Communications Staff	A_2	243		
Social Media Staff	A_1	188	152	242
Admin Support	A_1	169		
Admin CRM	A_1	152		

Source: Processed Data (2026)

Wage Structure and Scale

Salary mapping of the existing compensation structure (Table 6) revealed that only 8 of 16 grades were occupied. The entire manager-level C group (C_1 - C_4) had no incumbents because PT XYZ's flat hierarchy routes supervisors directly to department heads. In every occupied grade, minimum, average, and maximum pay were identical, confirming the single-rate system finding above.

Table 6.
Existing Salary Mapping

Job Title	Person	Grade	Base Pay	Total Salary	Range			Mid to Mid	Spread
					Min	Average	Max		
Director	1	D_4	8,134,806	8,134,806		8,134,806		100%	0%
-	-	D_3	-	-		-		0%	0%
-	-	D_2	-	-		-		- 100%	0%
Head of Operation & HR	1	D_1	6,111,800	12,223,600		6,111,800		100%	0%
Head of Marketing	1								
-	-	C_4	-	-		-		0%	0%
-	-	C_3	-	-		-		0%	0%
-	-	C_2	-	-		-		0%	0%
-	-	C_1	-	-		-		- 100%	0%
Finance, Accounting, Tax Supervisor	1	B_4	3,188,810	6,377,620		3,188,810		10%	0%
Supervisor Operational B2C	1								
Supervisor Operational B2B	2	B_3	2,898,918	8,696,754		2,898,918		100%	0%
Supervisor Marketing and Sales	1								
-	-	B_2	-	-		-		- 100%	0%
Human Capital Personalia Supervisor	1	B_1	2,395,800	14,374,800		2,395,800		20%	0%
Finance, Accounting, Tax Junior Supervisor	1								
Operational Junior Supervisor	1								
Talent Acquisition Staff	1								
Sales B2B Officer	2								
Sales B2C Officer	3	A_4	1,996,500	25,954,500		1,996,500		100%	0%
HR Operational Staff	1								

Job Title	Person	Grade	Base Pay	Total Salary	Range			Mid to Mid	Spread
					Min	Average	Max		
B2B Area Coordinator	9								
-	-	A_3	-	-		-		- 100%	0%
Finance Accounting Staff	1	A_2	1,650,000	3,300,000		1,650,000		10%	0%
Admin Operational B2C	1								
Admin Operational B2B	1	A_1	1.500,000	9,000,000		1,500,000		0%	0%
Marketing Communications Staff	1								
Social Media Staff	1								
Admin Support	2								
Admin CRM	1								

Source: Processed Data (2026)

A market benchmark against 22 comparable positions advertised on Bogor job portals in 2026 (Table 7) showed that PT XYZ's average internal pay lag the market in 17 of 22 positions and matched the market it in 5 positions. This indicating the firm is not currently externally competitive, a constraint the recommended structure below must weigh against the firm's ability to pay.

Table 7.
Internal vs. External Market Wage Comparison

Jabatan	P_{25}	P_{50} (Median)	P_{75}	Avarage Internal Salary	Status PT XYZ
Director	Rp7,500,000	Rp8,500,000	Rp10,000,000	Rp8,134,806	Match the Market
Head of Operation & Human Resources	Rp7,000,000	Rp7,000,000	Rp8,000,000	Rp6,111,800	Lag the Market
Head of Marketing	Rp7,125,000	Rp7,900,000	Rp8,600,000	Rp6,111,800	Lag the Market
Finance, Accounting, Tax Supervisor	Rp5,000,000	Rp5,250,000	Rp5,500,000	Rp3,188,810	Lag the Market
Supervisor Operational B2C	Rp4,112,500	Rp4,450,000	Rp4,825,000	Rp3,188,810	Lag the Market
Supervisor Operational B2B	Rp4,400,000	Rp4,500,000	Rp5,250,000	Rp2,898,918	Lag the Market
Supervisor Marketing and Sales	Rp3,750,000	Rp4,000,000	Rp4,500,000	Rp2,898,918	Lag the Market
Human Capital Personalia Supervisor	Rp4,250,000	Rp4,500,000	Rp5,000,000	Rp2,395,800	Lag the Market
Finance, Accounting, Tax Junior Supervisor	Rp3,462,500	Rp3,500,000	Rp3,750,000	Rp2,395,800	Lag the Market
Operational Junior Supervisor	Rp3,250,000	Rp3,500,000	Rp3,750,000	Rp2,395,800	Lag the Market
Talent Acquisition Staff	Rp2,750,000	Rp3,250,000	Rp3,250,000	Rp2,395,800	Lag the Market

Jabatan	P_{25}	P_{50} (Median)	P_{75}	Avarage Internal Salary	Status PT XYZ
Sales B2B Officer	Rp2,000,000	Rp2,500,000	Rp3,800,000	Rp2,395,800	Match the Market
Sales B2C Officer	Rp1,975,000	Rp2,250,000	Rp2,825,000	Rp1,996,500	Match the Market
HR Operational Staff	Rp2,875,000	Rp3,000,000	Rp3,125,000	Rp1,996,500	Lag the Market
B2B Area Coordinator	Rp2,000,000	Rp2,000,000	Rp2,200,000	Rp1,996,500	Lag the Market
Finance Accounting Staff	Rp1,875,000	Rp2,000,000	Rp2,250,000	Rp1,650,000	Lag the Market
Admin Operational B2C	Rp2,500,000	Rp2,500,000	Rp2,875,000	Rp1,650,000	Lag the Market
Admin Operational B2B	Rp2,500,000	Rp2,500,000	Rp2,875,000	Rp1,500,000	Lag the Market
Marketing Communications Staff	Rp1,750,000	Rp2,000,000	Rp2,000,000	Rp1,500,000	Lag the Market
Social Media Staff	Rp1,500,000	Rp1,500,000	Rp2,000,000	Rp1,500,000	Match the Market
Admin Support	Rp1,375,000	Rp1,750,000	Rp2,025,000	Rp1,500,000	Match the Market
Admin CRM	Rp1,650,000	Rp1,800,000	Rp1,900,000	Rp1,500,000	Lag the Market

Source: Processed Data (2026), Glints (2026), Jobstreet (2026)

The first benchmark point was established at Grade A_1 (Grade 1), represented by the CRM Admin position. The reference for this point was based on the mode of employee spending and the median value from the salary survey. The second benchmark point was established at Grade C_4 (Grade 12), represented by the Director position, which was treated as the spot rate. The reference for this point was based on the median and maximum salary survey values. Applying the two-point method with the equation Y = a + bX resulted in a = Rp1,190,909 and b = Rp609,091 for the midpoint line.

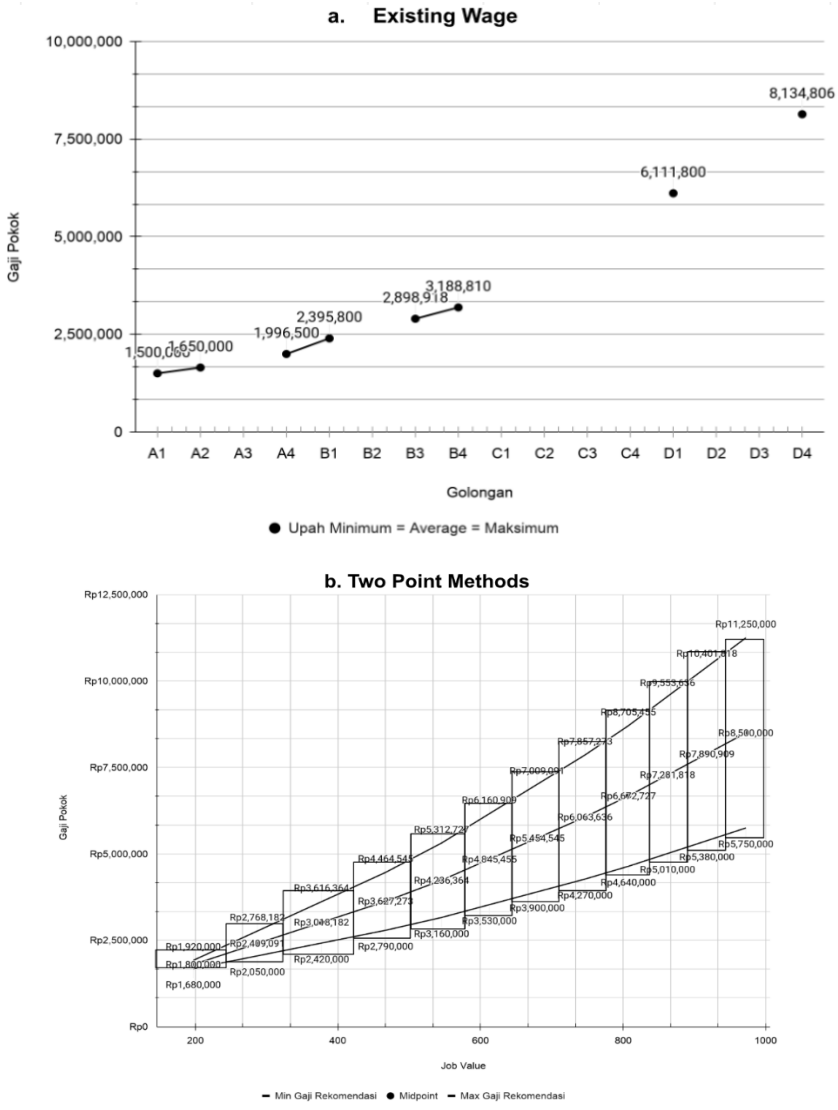
Table 8.
Recommended Wage Structure and Scale (Two-Point Method)

Grade	Upah Terkecil (Minimum)	Upah Tengah (*Mid Point*)	Upah Terbesar (Maximum)	*Mid to Mid*	*Spread*
C_4	5,750,000	8,500,000	11,250,000	8%	96%
C_3	5,380,000	7,890,909	10,401,818	8%	93%
C_2	5,010,000	7,281,818	9,553,636	9%	91%
C_1	4,640,000	6,672,727	8,705,455	10%	88%
B_4	4,270,000	6,063,636	7,857,273	11%	84%
B_3	3,900,000	5,454,545	7,009,091	13%	80%
B_2	3,530,000	4,845,455	6,160,909	14%	75%
B_1	3,160,000	4,236,364	5,312,727	17%	68%
A_4	2,790,000	3,627,273	4,464,545	20%	60%
A_3	2,420,000	3,018,182	3,616,364	25%	49%

A_2	2,050,000	2,409,091	2,768,182	34%	35%
A_1	1,680,000	1,800,000	1,920,000	0%	14%

Source: Processed Data (2026)

Table 8 shows every grade's mid-to-mid increment falling below its range spread, and the spread have a progressive range around 14-96%. This met the proportionality principle recommended by Permenaker No. 1/2017. As Figure 3 illustrates, the existing structure moved erratically across sixteen grades with eight empty grades, whereas the recommended structure rises smoothly across twelve grades with a spread that widens progressively from the staff to the executive tier, consistent with the expectation that higher-level jobs accommodate a wider range of individual performance and complexity (Dessler, 2017).

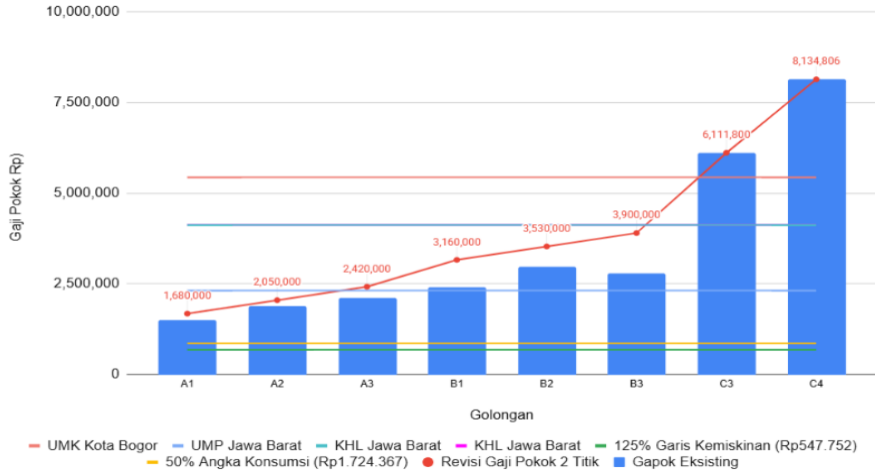


Source: Processed Data (2026)

Figure 3.
Wage Structure and Scale: (a) Existing; (b) Recommended Two-Point Method

The Effect of Recommended Wage Structure and Job Grading

Implementing the recommended structure required raising total minimum base pay from Rp88.1 million to Rp98.9 million per month, with an 12% increase.



Source: Processed Data (2026)

Figure 4.
Recommended Wage Line Against Regulatory Reference Floors

This increase is remaining feasible: manpower cost and revenue both grew 72-77% between 2024 and 2026, keeping the manpower-to-revenue ratio stable at 14-15%, and the increase comfortably above the average growth of the regional minimum wage and inflation (around 5.4% and 2.3%). It also meets the regulatory floor wage by PP No. 36/2021 explicitly permits for micro and small enterprises provided the regulatory minimum floor is met, which above 50% of average Jawa Barat consumption and 125% of the Jawa Barat poverty line. The resulting improvement in wage adequacy shows the wage-to-KHL ratio rising from 53% to 62% and the wage-to-personal-spending ratio rising more sharply from 83% to 100%, indicating the recommended structure closes most of the gap against employees' actual cost of living while remaining within the firm's demonstrated ability to pay.

E. CONCLUSIONS

This study shows that PT XYZ's actual compensation system combined Pay for Person, Pay for Position, and Pay for Performance components but operated as a single-rate structure with no real internal wage range; that external wage adequacy was low, with 94% of employees earning fixed wages below the West Java decent living needs standard and a median wage-to-KHL ratio of only 53%; that a two-point method reformulation consolidating sixteen grades into twelve with a progressive range spread of 14–96% corrected this single-rate pattern; and that a point-factor job evaluation weighted through the Eckenrode method, in which freedom to act carried the greatest weight, showed 73% of positions required regrading relative to their evaluated job value, with recurring patterns of equally

valued jobs graded inconsistently and higher-value jobs paid less than lower-value ones. Implementing the recommended structure required only an 12% increase in total base pay, a level shown to be feasible against the firm's historical revenue and manpower cost growth, while raising the wage-to-KHL ratio to 62% and the wage-to-personal-spending ratio to 100%. These findings demonstrate that a small outsourcing enterprise with constrained resources can nonetheless integrate internal equity, external wage adequacy, and ability to pay into a single, evidence-based wage structure and scale, offering a replicable approach for similarly sized service firms and regulators seeking to balance job-value-based fairness with workers' cost of living.

Conflict of Interest:
The authors declare no conflict of interest.

Funding:
This research received no external funding.

AI Disclosure:
The authors used Claude solely for language editing. The authors reviewed all output and take full responsibility for the content.

REFERENCES

Adams, J. S. (1963). Toward an Understanding of Inequity. *Journal of Abnormal and,Social Psychology*, *67*(5), 422–436.

Anker, R., & Anker, M. (2017). *Living wages around the world: Manual for measurement*. Edward Elgar Publishing.

Ardiansyah, M., Sujani, S., & Sarie, R. (2026). Pengaruh beban kerja, lingkungan kerja dan kepuasan kerja karyawan terhadap turnover intentions tenaga outsourcing. *Jurnal Ekonomi, Bisnis Dan Sosial*, *4*(2), 82–91.

Ashraf, F. (2020). 3P Approach to Compensation Management and its Implicationsfor Employee Performance at Work. *Journal of Applied Business and Economics*, 245–254.

Badan Pusat Statistik. (2025). *Persentase Rumah Tangga menurut Provinsi dan memiliki akses terhadap sanitasi layak*.

Bakhtiari, S., Breunig, R., Magnani, L., & Zhang, J. (2020). Financial Constraints and Small and Medium Enterprises: A Review. *Economic Record*, *96*(315), 506–523. https://doi.org/https://doi.org/10.1111/1475-4932.12560

Chen, X., Al Mamun, A., Hussain, W. M. H. W., Jingzu, G., Yang, Q., & Al Shami, S. S. A. (2023). Envisaging the job satisfaction and turnover intention among the young workforce: Evidence from an emerging economy. *PLoS ONE*, *18*(6). https://doi.org/10.1371/journal.pone.0287284

Credence Research. (2025). *Indonesia contract cleaning services market*.

Dessler, G. (2017). *Human Resource Management* (15th ed.). Pearson. http://www.pearsonmylabandmastering.com

Etikan, I., & Bala, K. (2017). Sampling and Sampling Methods. *Biometrics & Biostatistics International Journal*, *5*(6), 215–217. https://doi.org/10.15406/bbij.2017.05.00149

Harney, B., & Alkhalaf, H. (2021). A Quarter-Century Review of HRM in Small and Medium-Sized Enterprises: Capturing What We Know, Exploring Where We Need To Go. *Human Resource Management*, *60*(1), 5–29. https://doi.org/10.1002/hrm.22010

Hasanah, H., Nachrowi, N. D., Wisana, I. D. G. K., & Siregar, H. (2024). Could the minimum wage policy reduce food insecurity among households of formal workers in Indonesia? *Agriculture and Food Security*, *13*(7), 1–19. https://doi.org/10.1186/s40066-023-00451-3

Hoyle, E., Davies, H., Bourhill, J., Roberts, N., Lee, J. J., & Albury, C. (2025). Effectiveness of Hand-Hygiene Interventions in Reducing Illness-Related Absence in Educational Settings in High Income Countries: Systematic Review and Behavioural Analysis. *Journal of Public Health (Germany)*, *33*(3), 659–670. https://doi.org/10.1007/s10389-023-02044-7

Kapoor, J. R. ., Dlabay, L. R. ., & Hughes, R. J. . (2020). *Personal finance* (13th ed.). McGraw-Hill Education.

Kartika, L., & Indrawan, D. (2019). Designing compensation system in culinary business: The case of Bogor City, West Java Province, Indonesia. *Advances in Economics, Business and Management Research*.

Kementerian Pendidikan Dasar dan Menengah. (2025). *Ikhtisar Data Pendidikan 2024/2025*.

Kementerian Pendidikan Tinggi, S. dan T. (2026). *Statistik Pendidikan Tinggi 2025*.

Lott, M. (1926). *Wage Scales and Job Evaluation*. The Ronald Press Company. https://babel.hathitrust.org/cgi/pt?id=wu.89098672769&seq=77

Rizaldy, A., Kartika, L., & Jayaningrum, R. (2020). Employee compensation evaluation based on cost of living adjustment (COLA) in retail industry Bogor, Indonesia. *JABE (Journal of Applied Business and Economic)*, *7*(2), 180–193. https://doi.org/10.30998/jabe.v7i2.7824

Taponen, S., & Kauppi, K. (2020). Service Outsourcing Decisions – A Process Framework. *Journal of Global Operations and Strategic Sourcing*, *13*(2), 171–194. https://doi.org/10.1108/JGOSS-02-2019-0012

Utami, Y. P., Permata Sari, M., Marsono, J., Studi Relasi Industri, P., & Ketenagakerjaan, P. (2024). Implementation Of Wage Unit Results In Meeting The Decent Living Needs (KHL) Of Batik Workers. *Eduvest-Journal of Universal Studies*, *4*(4), 2012–2024. https://doi.org/10.59188/eduvest.v4i4.1202

World Health Organization. (2023). *Burden of disease attributable to unsafe drinking-water, sanitation and hygiene, 2019 update*. World Health Organization.