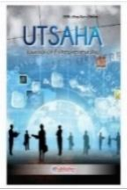


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# Analyzing the Compensation and its Effect on Lecturers' Job Satisfaction: A Case Study of Private Colleges in Bogor

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## ABSTRACT

*One factor that significantly affects job satisfaction among lecturers is compensation. Compensation is categorized into three dimensions, such as direct financial, indirect financial, and non-financial. This research is descriptive-verification type, and the approach used is explanatory survey. The objective of this research is to determine the effect of compensation on job satisfaction. The sampling technique used cluster sampling proportionally at five private colleges in Bogor, which led to a total sample size of 233 respondents, including Head Lectors, Lectors, and Assistant Lectors. Descriptive and quantitative analysis was conducted based on primary data obtained from field respondents, and hypothesis testing was conducted using SEM-Lisrel 8.8 method. The results indicated that the t-statistic value was greater than the t-value (t-statistic > 1.64), and the highest loading factor was found on the non-financial compensation variable (NFIN) which had a loading factor of 1.00 with a standard factor loading (SFL) of 0.5. It indicated that compensation has a positive and significant effect on job satisfaction of lecturers in private colleges in Bogor. From the 3 dimensions that affect lecturer compensation, the non-financial dimension is the dominant dimension in forming the compensation variable construct by contributing the highest standard loading factor value.*

**Keywords:** *Compensation, Job Satisfaction, Lecturer*

## INTRODUCTION

Higher education is deemed important as a means to improve human resources of a nation (Holimin et al., 2021). In this era of rapid technological advancement and intense competition in all aspects of life, colleges have an important role in forming high-quality, innovative, and globally competitive human resources (Mardhiyah et al., 2021). Therefore, to achieve these purposes, colleges must ensure the provision of quality education and create an optimal work environment that supports the performance of their teaching staff, especially lecturers, in order to provide job satisfaction (Taheri et al., 2020). According to Rizqi & Vilantika (2023) the role of lecturers in fulfilling their responsibilities in higher education is defined through three principles known as the *Tri Dharma Perguruan Tinggi* (Three Pillars of Higher Education). These three principles consist of (1) Education and Teaching; (2) Research and Development; (3) Community Service. The significant role of lecturers is an important element in higher education because each lecturer must fulfill their duties and responsibilities in accordance with applicable regulations (Sudarmika & Santyasa, 2020). In fact, however, the number of lecturers often does not correlate with the workload associated with three pillars of higher education (Suradijono et al., 2017). Compensation for lecturers' efforts should be proportionate to the tasks they do because this significantly affects job satisfaction among lecturers (Putri & Supriadi, 2022).

In addition, according to Simanjuntak (2018), one of the factors that significantly affect lecturers' job satisfaction in higher education is compensation. According to Rofidah (2023), compensation is a form of recognition or appreciation provided by the university to lecturers as a reward for their dedication. It can be stated that compensation has an impact on job satisfaction because job satisfaction is closely related to their welfare (Sunarta, 2019). The relationship between compensation and job satisfaction is not only measured based on financial aspects, but also involves non-financial aspects (Chi et al., 2023). According to Schmitz & Yzerbyt (2020), compensation for financial rewards can be divided into two categories, such as direct financial and indirect financial. Salaries, bonuses, and incentives are examples of direct financial compensation (Sabatini et al., 2021). Meanwhile, indirect financial compensation includes elements such as unemployment compensation, paid time off, life insurance, disability coverage, employee stock option plans, employee services, premium payments, and social security (Burhanudin & Tambun, 2021). Financial compensation that does not coincide with the workload may cause dissatisfaction among lecturers in universities, and they may feel underappreciated (Ashraf, 2020). Lecturers who feel this way tend to have low motivation in fulfilling their duties. Then, affect the quality of teaching, research and services they provide (Imron & El Syam, 2023).

Non-financial compensation consists of facilities provided to lecturers when performing their duties at the university, including performance recognition, time flexibility, and work environment. According to Olonade et al (2022), recognition or rewards can be in the form of appreciation provided for the dedication given by the institution, superiors, and coworkers. In addition, time flexibility allows lecturers to organize schedules effectively (Tahrima Ferdous & French, 2022). A supportive work environment, both mentally and physically, can provide comfort, freedom to innovate, and increase work motivation (Wijayathunga & Rathish, 2023). In general, it can be stated that compensation is the various things given by universities to lecturers as a reward for their work to fulfill their welfare (Hilmy, 2023). In accordance with research conducted by Permana et al (2021), which found that compensation has an effect on job satisfaction variables, it can be known that the $t_{value}$ is greater than the $t_{table}$ value, and the significance value is smaller than 0.005. Therefore, the main objective of this research is to examine the effect of compensation on job satisfaction of lecturers in private colleges in Bogor. It is expected that it can provide benefits as a reference for further research and human resource development, especially in the field of management for private colleges in Bogor.

## RESEARCH METHODOLOGY

This research is categorized as descriptive-verifying, which involves describing the features of some research variables, and then submitting them to analytical supervision. The approach used is an explanatory survey, which explains the effect between variables through hypothesis testing. The subject of this research is the effect of compensation on job satisfaction. The population of this research was permanent lecturers at private universities in Bogor, which consisted of Pakuan University, Ibnu Khaldun University, Djuanda University, and Nusa Bangsa University, with 718 people. However, the target population only consists of permanent lecturers who have functional positions, such as Head Lectors, Lectors, and Assistant Lectors, totaling 647 respondents. The sample was determined using probability sampling method, and then the data was processed using SEM (Structural Equation Modeling) technique on LISREL Version 8.8 application. The sampling technique used was proportional cluster sampling for each university. The Slovin formula was used to determine the sample size with a significance level (error rate) of 5% or 0.05, which produced a sample size of 233 respondents for this research. The data collection method used in this research is categorized based on two data sources, such as primary data and secondary data. Primary data is obtained through a survey method using a questionnaire technique with ordinal data. Then, secondary data derived from various journal, books, articles related to the research topic.

## RESULT AND DISCUSSION

### General Perspectives of Research

Data analysis of the research results is descriptive-verification data. Descriptive-verification is an analysis that describes the characteristics of research variables, tests, and analyzes the research data. The data were analyzed using Structural Equation Modeling (SEM) with the LISREL 8.8 application, in which measurement results assessment was initially conducted on each latent variable through confirmatory factor analysis by testing validity and reliability. The respondents in this research were permanent lecturers at private universities in Bogor, which consist of Pakuan University, Djuanda University, Ibnu Khaldun University, and Nusa Bangsa University, who had the positions of Head Lecturer, Lecturer, and Assistant Lecturer. The total respondents were 233 respondents, who were categorized into three groups. The first category was based on gender, with 93 (39.9%) men and 140 (60.1%) women. The second category is based on length of service, with 42 people (18%) having less than five years of experience, 83 people (35%) having five to ten years of experience, and 108 people (46%) having more than ten years of experience. The last category is based on functional position, with 25 people (10.7%) are senior lecturers, 105 people (45.1%) are lecturers, and 103 people (44.2%) are assistant lecturers. The following is a description of the data regarding the compensation variable:

**Table 1.** Descriptive Statistics Compensation Variable (X)

| No | Description | Score |
|---|---|---|
| 1 | Mean | 108,02 |
| 2 | Standard Error | 0,82 |
| 3 | Median | 113 |
| 4 | Mode | 100 |
| 5 | Standard Deviation | 12,49 |
| 6 | Sample Variance | 155,97 |
| 7 | Kurtosis | 0,82 |
| 8 | Skewness | 0,56 |
| 9 | Range | 76 |
| 10 | Minimum | 75 |
| 11 | Maximum | 151 |
| 12 | Sum | 25.169 |
| 13 | Count | 233 |

Source: Secondary Data (2022)

Then, the following data is a description of the job satisfaction variable. Based on the research results, the scores obtained are as detailed below:

**Table 2.** Desriptive Statistics Lecturer Job Satisfaction Variable (Y)

| No | Description | Score |
|---|---|---|
| 1 | Mean | 108,02 |
| 2 | Standard Error | 0,82 |
| 3 | Median | 113 |
| 4 | Mode | 100 |
| 5 | Standard Deviation | 12,49 |
| 6 | Sample Variance | 155,97 |
| 7 | Kurtosis | 0,82 |
| 8 | Skewness | 0,56 |
| 9 | Range | 76 |
| 10 | Minimum | 75 |
| 11 | Maximum | 151 |
| 12 | Sum | 25.169 |
| 13 | Count | 233 |

Source: Secondary Data (2022)

**Assessment of Research Results using SEM**

The following analysis uses the Structural Equation Modeling (SEM) method. There are two types of SEM models, such as measurement models and structural models. The measurement model aims to describe a measurement of latent variables by testing the validity and reliability of indicators and dimensions of research variables. The structural model is a model that goodness of fit for the inner model can be represented by testing the effect of each exogenous latent variable on the endogenous latent variable.

**Table 3.** Cut-Off Guidelines for Interpreting Measurement Model and Structural Model Test Results

| | Type of Testing | Criteria | Cut-Off Score | Description |
|---|---|---|---|---|
| Measurement Model Analysis | | | | |
| 1 | Validity's Test | Standardized Factor Loading (SLF) | ≥ 0,50 | Valid |
| | | *t-value* | ≥ 1,64 | Valid/significant |
| 2 | Good-Ness of Fit's Test | p-*value* of $x^2$ | ≥ 0,05 | Good fit |
| | | RMSEA | ≥ 0,08 | Good fit |
| | | NFI | ≥ 0,90 | Good fit |
| | | NNFI | ≥ 0,90 | Good fit |
| | | RFI | ≥ 0,90 | Good fit |
| | | CFI | ≥ 0,90 | Good fit |
| | | IFI | ≥ 0,90 | Good fit |

| | | | | |
|---|---|---|---|---|
| | | *Standardized* RMR | ≥ 0,05 | Good fit |
| | | GFI | ≥ 0,90 | Good fit |
| 3 | Reliability's Test | *Construct Reliability* (CR) | ≥ 0,70 | Good reliability |
| | | *Variance Extracted* (VE) | ≥ 0,50 | Good reliability |
| Structural Model Analysis | | | | |
| 1 | Good-Ness of Fit's Test | Same as above | | |
| 2 | Causal Collaboration Analysis | *t-value* and coefficient of Structural Equation Coefficients | ≥ 1.64 (absolute value) = Significant Figure | |
| | | | $R^2$ indicates the percentage of variance explained by the exogenous latent | |
| | | | Explains a certain % of variance in the endogenous latent variable | |
| | | Coefficient of Determine ($R^2$) | $R^2 < 0.2$ = Weak<br>$0.2 < R^2 < 0.5$ = Moderate<br>$R^2 > 0.5$ = Strong | |

Source: Secondary Data (2022)

## Confirmatory Factor Analysis (CFA) of Compensation (X)

The confirmatory factor analysis test on the Compensation variable aims to determine the relationship between observed variables as indicators of latent variables with the following results:

**Table 4.** Indicator Validity Test of Compensation in SEM Model

| Variable | | Loading (λ) | *t-Statistics* | Description |
|---|---|---|---|---|
| KOM | FINL | 0,55 | 7,16 | Valid & significant |
| | FINTL | 0,78 | 8,67 | Valid & significant |
| | NFIN | 1,00 | 7,89 | Valid & significant |

Desc : if *t-statistics* > *t-value*, then the result is valid & significant

Source: Primary Data using LISREL 8.8 (2022)

Description:
KOM : Compensation
FINL : Direct Financial
FINTL : Indirect Financial
NFIL : Non-Financial

Based on Table 4, the results indicated that the loading values for the relationship between the indicator variables FINL, FINTL, NFIN, and the compensation construct, each had a t-statistic value that exceeded the t-value threshold (t-statistic > 1.64). In addition, the loading values indicated extraction rates greater than 0.5 (Loading(λ) > 0.5). Therefore, all of the above indicators can be considered valid to measure the compensation variable construct.

## Confirmatory Factor Analysis (CFA) of Job Satisfaction (Y)

Confirmatory factor analysis on compensation variables aims to indicate the relationship between observed variables as indicators of latent variables, with the following results:

**Table 5.** Indicator Validity Test of Lecturer Job Satisfaction in SEM Model

| Variable | | Loading (λ) | *t-Statistics* | Description |
|---|---|---|---|---|
| KK | GJ | 0,13 | 1,76 | Valid & significant |
| | PR | 0,99 | 7,84 | Valid & significant |
| | RK | 0,40 | 4,09 | Valid & significant |
| | PK | 0,75 | 6,99 | Valid & significant |

Desc : if *t-statistics* > *t-value*, then the result is valid & significant

Source: Primary Data using LISREL 8.8 (2022)

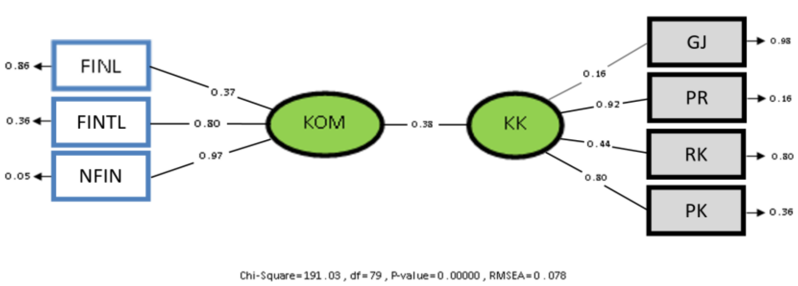
Description:
KK : Job Satisfaction
GJ : Salary
PR : Promotion
RK : Coworkers
PK : Occupation

Based on Table 5, the loading values for the relationship between the indicator variables GJ, PR, RK, and PK with the construct of lecturer job satisfaction indicate extraction values greater than 0.5 (Loading(λ) > 0.5). In addition, the t-statistic value obtained exceeds the t-value limit (t-statistic > 1.64). This indicates that all indicators can be considered significant to measure the construct of lecturer job satisfaction.

## Structural Model Analysis

The results of processing compensation variables and job satisfaction variables are used to create a structural model that is consistent with the research framework. Figure 1 below provides an illustration of the overall path of the model. However, it is required to evaluate whether the goodness of fit of the resulting model complies with the criteria or not.

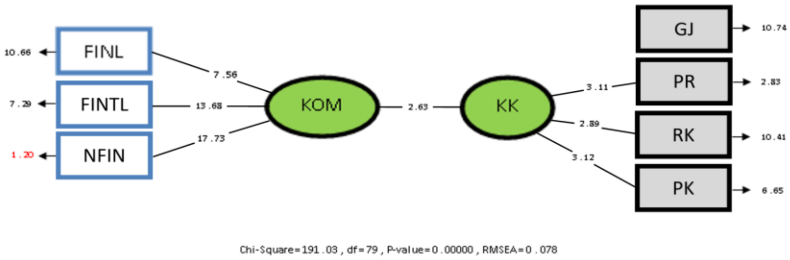
**Figure 1.** Overall Path of SEM Model




Source: Processed Data by Researchers using SEM (2022)

The following figure 2 represents the t-values of all the path models:

**Figure 2.** Output of t-value for All Paths of SEM Model




Source: Processed Data by Researcher using SEM (2022)

## Model Hypothesis Test

The following are hypothesis testing results for compensation on job satisfaction:

**Table 6.** The Result of Hypothesis Test

| Relation | Direct Fluence | Standard Error | *t-table* | Desicion |
|---|---|---|---|---|
| KOM ⟶ KK | 0,38 | 0,140 | 2,63 | Accepted |

Source: Primary Data using LISREL 8.8 (2022)

Based on Table 6 above, it can be observed that the hypothesis t-table value of 2.63 is greater than the t-value, which is 1.64 (table 3). This indicated that the hypothesis can be accepted because there is a significant influence between Compensation (KOM) and Job Satisfaction (KK) with a positive effect of 0.38. The results of hypothesis testing indicated that there is a positive and significant effect of compensation on job satisfaction of lecturers of private colleges in Bogor.

## Statistical Hypothesis Test

Based on the second hypothesis, compensation has a direct effect on job satisfaction. The statistical hypothesis regarding the effect between these two variables is presented as follows:

$H_0 : \gamma 2 \leq 0$ There is no direct effect of compensation on job satisfaction.

$H_1 : \gamma 2 > 0$ There is a direct effect of compensation on job satisfaction.

The formula that representing how both of variables influence each other is:

$$\acute{\eta}1 = 0{,}38\ \xi 2 + \zeta 1$$

$$2{,}63$$

The positive coefficient value of $\gamma 12$, which is 0.38, indicates that compensation has a positive effect on job satisfaction (ή1). This implies that every effort in increasing compensation will automatically increase job satisfaction to 0.38. Furthermore, the results of data analysis indicate that the t-table value > t-value, which is 2.63 > 1.64, in the significance test conducted using the t-test at the significance level of ὰ = 10%. Therefore, the null hypothesis ($H_0$) is rejected and the alternative hypothesis ($H_1$) is accepted, which means that there is empirical proof that compensation has a direct effect on job satisfaction. This finding indicated that an increase in compensation for permanent faculty members would lead to an increase in job satisfaction.

Adequate financial compensation can be a motivating factor for lecturers. When they receive a salary that is appropriate to their level of education, experience, and responsibility, lecturers will feel more valued and motivated to do their job well. However, it is important to remember that job satisfaction is not only determined by financial factors. Many other factors, such as work environment, professional development opportunities, performance recognition, and organizational justice also contribute to overall job satisfaction.

The existence of non-financial compensation (such as recognition, flexibility, and work environment) can have a significant effect on lecturers' job satisfaction. Providing rewards and recognition for excellent performance can increase lecturer satisfaction. When lecturers feel valued and recognized for their contributions to teaching, research or other academic activities, they tend to be more satisfied with their jobs. Flexibility in work schedules and tasks can also contribute to lecturer satisfaction. Lecturers often have diverse responsibilities, such as teaching, conducting research, and handling administrative tasks. If they are flexible with their schedules and working methods, this can help them achieve a better work-life balance and increase their overall job satisfaction.

**Research Discusson**

The results of descriptive and quantitative analysis in this research obtained from primary data collected through respondents' responses in the pitch and hypothesis testing using SEM-Lisrel method, which indicates that compensation significantly affects job satisfaction. Among the three compensation variables, the one with the highest loading factor is the NFIN (non-financial compensation) variable, with a value of 1.00 (Table 4). On the other hand, the variable with the lowest loading factor is FINL (direct financial). This indicates that non-financial compensation is the most important and significantly influential variable in affecting the level of job satisfaction of lecturers, while direct financial compensation (salaries, bonuses, and incentives) has the least effect. Non-financial compensation includes recognition or reward for performance, flexibility of working hours, and a comfortable physical environment.

Recognition and appreciation of the achievements of lecturers not only indicates appreciation but can also have an impact on the level of motivation and the quality of education they provide. Lecturers who are appreciated and recognized for their performance tend to find satisfaction in their work and are more motivated to improve their abilities and give their best to the institution. In addition, this recognition can serve as an example for other lecturers to follow.

Flexibility in scheduling allows lecturers to adapt their working hours to their personal needs, such as balancing work, family, and leisure. When institutions provide flexibility to lecturers, it also reflects trust and respect for them as professionals. This can increase their appreciation and recognition, which leads to job satisfaction. A comfortable, safe and appropriate physical workplace can help create a more productive and enjoyable environment for lecturing. Good facilities and a well-organized environment can increase comfort and concentration in carrying out tasks and can have a positive effect on lecturers' job satisfaction. All of the previously mentioned statements are in accordance with research conducted by Ashraf (2020); Nurlina (2022); Permana et al (2021), all of which indicated a significant effect of compensation on job satisfaction.

## CONCLUSION

Based on the research results and data analysis conducted, it can be concluded that compensation is proven to have a positive and significant effect on job satisfaction of lecturers of private universities in Bogor. The effect of compensation is measured through three dimensions which include direct financial, indirect financial, and non-financial. The results indicated that the non-financial dimension has the highest standard loading factor contribution in forming the compensation variable construct. It indicates that factors such as recognition, flexibility, and work environment play an important role in improving job satisfaction among lecturers. Furthermore, it indicates that not only financial aspects such as salary and benefits, but also non-financial elements are also very important in developing job satisfaction among lecturers in private colleges in Bogor.

This research states that non-financial compensation is the most important variable with a significant effect on lecturer job satisfaction, which means that this variable needs to be considered. Therefore, the researcher suggests to private universities or other parties who will conduct the same research to look for other factors that can affect lecturer job satisfaction. The researcher also suggests conducting further research to increase the depth and quality of this research theme, by considering the importance of job satisfaction and compensation for universities.

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