Hotel Financial Compensation System During COVID-19: A Case Study of Three-Star Hotel

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Abstract

**Purpose of the study:** This research aims to identify the forms and systems of financial compensation applied by hotel management during the COVID-19 pandemic.

**Design/methodology:** This research uses a qualitative approach with a case study method. The data was obtained from observations and in-depth interviews with four key participants representing various levels of positions in the hotel.

**Findings:** The findings showed that hotels had changed the form of financial compensation caused by the emergence of new laws and local regulations during the COVID-19 pandemic. The implementation of financial compensation by hotel management during the COVID-19 pandemic can be categorized into two forms: direct financial compensation (i.e., base pay, seniority pay, pay for performance, and person-focused pay). The second is indirect forms of financial compensation (i.e., legally required and discretionary benefits).

**Research limitations/Implications:** The hotel should continue to pay the number of dues according to the rules that apply during the COVID-19 pandemic. By providing a direct and indirect form of compensation, the hotel is expected to increase its attractiveness in terms of employee recruitment, motivation, and retention. This research only takes a case study from one hotel categorized as a three-star hotel.

**Novelty/Originality of the study:** This article identifies the application of the financial compensation system and how the hotel management implemented and adhered to new laws and local regulations during the COVID-19 pandemic.

INTRODUCTION

Human resources management manages people through planning, selection, recruitment, training, and compensation to achieve the company’s goals and increase employee welfare (Barrena-Martínez et al., 2019). Compensation which is one of the operational functions of HRM, has a definition as a result or reward that someone gets after giving his energy or time in doing a job that has financial and non-financial forms (Galanou et al., 2010; Musafir, 2013)

Compensation is vital for the employees and hotel establishment. When compensation adjustments are made, they will directly affect employees and their lives (Sturman, 2001). Therefore, the hotel as a company must ensure that the compensation policy compiles the principle of justice so that employees continue to get rights that follow what employees should receive (Greene & Bryant, 2021). During the COVID-19 situation, the hotel has made some adjustments regarding compensation for their permanent employees, and it is following what the employees are entitled to but can adjust the operational conditions of the hotel (Oxenbridge & Moensted, 2011).

Hotel Santika Tasikmalaya is a three-star hotel located in Tasikmalaya City, Indonesia, established in 2011. With a strategic location, it is not surprising that the hotel Santika Tasikmalaya has always been the main attraction and choice for both local and foreign business people and tourists in choosing accommodation in Tasikmalaya. However, the COVID-19 pandemic that occurred had a significant impact on the decrease in the room occupancy rate of the hotel Santika Tasikmalaya. Based on the phenomena presented above, the topic raised in this research is applying the financial compensation system in hotel Santika Tasikmalaya during the COVID-19 pandemic.
This study aims to identify the form of financial compensation and the system for implementing financial compensation at the hotel Santika Tasikmalaya during the COVID-19 pandemic. We focused on how the form of financial compensation and the system implemented by hotel management amid the COVID-19 pandemic.

LITERATURE REVIEW

Compensation

Compensation is one of the activities to improve employee performance. Compensation is the sum of all awards given by the company to employees in return for their work (Mondy & Martocchio, 2016). Satisfaction with the provision of compensation by the company can influence employees to work more enthusiastically to achieve company goals (Mulyapradana et al., 2020). Fundamentally, compensation practice can be divided into two categories that are financial and non-financial (Lahap et al., 2014). Financial compensation is given to employees for their work. It is usually given in the form of money (salary), bonuses, commissions, profit sharing and deferred compensation, social security such as the provision of housing (by instalments), overtime allowances, health benefits and others. Non-financial compensation can be given in the form of award certificates, giving verbal or written praise, formal and informal thanks, promotions, giving awards to employees who have achieved long service years, have high loyalty, granting the right to use position attributes (for example, a car or other), giving new tasks or challenges attractive, fun work partners, or the provision of special equipment in the workspace, and comfortable work environment (Priyatono, 2021).

Financial Compensation

There are two forms of financial compensation commonly found in the hotel business. The first is direct financial compensation, such as salaries, bonuses, and incentive payments, and indirect financial compensation. The second is indirect financial compensation, including various employee benefits and insurance (Kulikowski & Sedlak, 2020).

Direct Financial Compensation

There are four main components in the direct financial compensation system: base pay, seniority pay, pay for performance, and person-focused pay (Mondy & Martocchio, 2016). Each employee will generally get a base pay added from the other three components based on the company's consideration. Considerations from the company are usually based on several factors to maximize employee performance. The nature of the base pay is fixed and should not change under any circumstances; besides that, the base pay has two formats, namely monthly and hourly (Bustamam et al., 2014). The format used in applying the basic salary may depend on applicable state regulations. Usually, the company also has a list of maximum and minimum basic wages for each position (Oi & Idson, 1999).

The seniority pay system is a reward system given to employees who have worked for an extended period that the company considers long enough. With the implementation of the seniority pay system, the company assumes that employees will be more valuable to the company because of the length of time the employee has worked (Kwon et al., 2008). In addition, from the employee's perspective, the seniority pay system will make employees feel more valued (Wan, 2006). On the other hand, this system has a negative side. Sometimes, employees with a long working period but standard performance will still get more wages because of their loyalty to the employee (Lussier & Hendon, 2017).

The basis of the pay-for-performance system is the performance of the employee. The better the performance of the employee, the greater the wages that will be received by the employee (Park & Conroy, 2022). Therefore, this system is also known as variable pay. The hotel implementing this system hopes the company's profits will increase with the performance obtained and employee productivity. Performance payment systems can also be divided into two forms, which are individual performance and group performance (Wood, 1996). The person-focused pay system is based on the employee's background rather than the employee's performance. For example, employees who have more experience and abilities will get a higher salary. This system assumes that employees with more experience and abilities can add value to the company (Sen & Bhattacharya, 2019).

Indirect Financial Compensation

Every hotel is responsible for providing employees benefits through insurance and other health, safety, and work security programs. Indirect Financial Compensation, also known as employee benefits, means that even though employees do not receive material directly, there are costs incurred by the company to provide employee benefits (Mondy & Martocchio, 2016).

Two components in indirect financial compensation are legally required and discretionary benefits. As the name implies, legally required benefits are all employees must receive based on the law in a country. The hotel must oblige to provide these benefits per what is stated in the country's law (Klondoski, 2016).
Discretionary benefits are all benefits provided by the company to employees, but these benefits are provided voluntarily by the company without any obligations based on the rules (Cheptoo & Kilika, 2021). There are three categories of discretionary benefits: protection programs, paid time off (paid leave), and performance management initiatives. The protection program protects health insurance and family benefits (Tanoamchard, 2018). Paid time off or paid leave is usually used for employees who get basic wages based on the calculation of working hours (Hsieh et al., 2016). Performance management initiatives in discretionary benefits mean that the company make reimbursement for employees. Although there are no regulations that oblige companies to provide discretionary benefits, many companies provide them because by providing discretionary benefits, the competitive advantage of the company will increase. It will make the company more attractive, especially during recruiting and retaining (Klonoski, 2016).

METHODOLOGY

This research will be carried out with a qualitative approach, which is an approach that views social reality as something whole or holistic, complex, dynamic, and full of meaning (Azungah, 2018). The method that will be used is the case study method. According to Yin (2017) case study is an empirical method that investigates a contemporary phenomenon (case) in depth. The case study approach will be used if the researcher/s wants to understand real cases and assumes that understanding involves necessary contextual conditions related to the case in question.

The location of this study is Hotel Santika, a three-star hotel located in Tasikmalaya city, West Java Province, Indonesia. This study uses three data collection techniques: observation, documentation and literature studies, and in-depth interviews. The first data obtained from observations will be collecting covert data in conducting observations. The second data obtained in the form of relevant documents and literature study technique will be carried out in this research to search for scientific literature related to the topic raised by the researcher. A literature study is carried out by reading existing literature and research related to the topic raised by the researcher to be used as an additional reference in the study.

The third data collection is conducting interviews. The informants were selected using a purposive sampling technique based on the selection of informants based on job compatibility and the work area carried out by the informants with the topics raised in this study. In-depth interviews in the case study approach are usually more in the form of conversations between 2 parties (researchers and informants) or can be referred to as two-way communication and not just asking questions (Yin, 2017). There were four respondents in this study including two from managerial level which are assistant human resource manager, accounting manager, one from supervisory level E-commerce supervisor, and one from Front office staff (table 1).

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager Level</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>Supervisor</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>Staff</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Experiences</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 6 years</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>6-12 years</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Work Area</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back Office</td>
<td>3</td>
<td>75%</td>
</tr>
<tr>
<td>Front Office</td>
<td>1</td>
<td>25%</td>
</tr>
</tbody>
</table>

The data obtained from the results of conducting interviews by asking the questions was then reduced so that the existing data could be used to answer the focus of this research. The questions given to the four informants above have several differences based on the position held by each informant. The data analysis technique used is data reduction, data presentation, and conclusions. In addition to using data analysis techniques, this study uses source and data collection triangulation which aims to ensure the wetness of the data obtained.
The questions asked during the interview process with all the informants can be seen in Table 2.

Table 2: Interview Questions and Informants

<table>
<thead>
<tr>
<th>Questions</th>
<th>Manager Level</th>
<th>Supervisor and Staff level</th>
</tr>
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<tbody>
<tr>
<td>What were forms of financial compensation provided prior to the COVID-19 pandemic?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>What forms of financial compensation are provided during the COVID-19 pandemic?</td>
<td>v</td>
<td>v</td>
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<tr>
<td>What caused the change in the form of compensation provided?</td>
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<td>v</td>
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<tr>
<td>To whom did the change in the form of financial compensation occur?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Who makes the policy in changing the form of financial compensation?</td>
<td>v</td>
<td>-</td>
</tr>
<tr>
<td>How do employees respond to changes in the form of compensation that occur?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>How is the compensation calculation system before the COVID-19 pandemic?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>How is the compensation calculation system during the COVID-19 pandemic?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>What caused the changes in the compensation calculation system provided?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>How is the change in the financial compensation calculation system to the applicable law?</td>
<td>v</td>
<td>-</td>
</tr>
<tr>
<td>To whom did the change in the financial compensation calculation system occur?</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Who makes the policy in changing the financial compensation calculation system?</td>
<td>v</td>
<td>-</td>
</tr>
<tr>
<td>How do employees respond to changes in the compensation calculation system that occur?</td>
<td>v</td>
<td>v</td>
</tr>
</tbody>
</table>

FINDINGS AND DISCUSSION

Financial Compensation

With the COVID-19 pandemic first hit in March 2020, the occupancy of Hotel Santika Tasikmalaya was drastically affected and decreased by around 21% from occupancy in 2019. The drastic decrease in occupancy also directly impacts the decline in hotel revenue. Evidence of the severity of the impact caused by the COVID-19 pandemic on hotels is the closure of Hotel Santika Tasikmalaya for two months. In 2021, although conditions are improving, the changes to the calculation system for financial compensation are still being implemented. There was only one change in direct financial compensation, namely compensation money, that was categorized into the seniority pay category. This new form was caused by the Law of the Republic of Indonesia No. 11 of 2020 on Job Creation (Indonesian: UU Cipta Kerja) by the central government and the House of Representatives. This change only applies to every employee with contract status.

Interestingly, there was no change in financial compensation at Hotel Santika Tasikmalaya before and during the pandemic. In the financial compensation system applied at the Hotel Santika Tasikmalaya, the calculation system has fairly massive changes. The changes are caused by new rules made by the central government and the people's advisory council due to the COVID-19 pandemic. The change in the financial compensation calculation system is applied to every employee, both permanent and contract employees and applies to all levels of positions at Hotel Santika Tasikmalaya. The financial compensation implemented by Hotel Santika Tasikmalaya management during the COVID-19 pandemic can be categorized into direct and indirect forms.

Direct Financial Compensation

From the result of the interviews, it can be revealed that direct financial compensation can be categorized into four forms: the base pay category, senior pay category, pay for the performance category, and person-focused pay. The first category is the base pay category, and this compensation consists of the basic salary and transportation allowance. As defined, the basic salary and transportation allowance have a fixed form and are valid for as long as the employee works in a company. Second is the seniority pay category, which consists of two forms: severance pay and compensation money which is the only change in the form of direct financial compensation provided by the hotel before and during the pandemic. The amount of severance pay and compensation for each employee will vary depending on the time the employee has worked. The longer the employee's tenure, the greater the amount of severance pay and compensation that will be received. For compensation money only employees with contract status will receive compensation money as mandated in the Job Creation Law.
Base Pay

There are two forms of financial compensation in the base pay category: basic salary and transportation allowance. The calculation of the basic salary is based on the wage structure owned by Hotel Santika Tasikmalaya. The wage structure consists of seven levels, starting from rank file three, the lowest level, moving up to rank file two, rank file one, junior supervisor, supervisor, assistant manager, and manager with the highest wage structure. Rank file staff level three with the basic salary as a reference will be adjusted to the annual working minimum wage. As for the transportation allowance, every employee from each position level will get the same nominal monthly.

Before the pandemic, the calculation of basic salary and transportation allowances was based on a monthly calculation system, with the amount each employee would receive remaining monthly and not depending on the number of working days. However, due to several changes in the calculation system during the COVID-19 pandemic, the basic salary and transportation allowance paid in the first month when the hotel was closed (March 2020) was only 75% of the total that was usually received. The numbers decreased to 50% in the second month (April 2020) when the hotel did not operate. In the third month (May 2020) to June 2022, there is a change in the calculation, namely to a daily system or unpaid leave, in which the nominal amount of basic salary and transportation allowances obtained will depend on the number of working days of employees. The nominal basic salary and transportation allowance usually obtained will be divided by 22 days and multiplied by the number of working days in one month, with a maximum of 22 working days per month.

Seniority Pay

With the change in financial compensation at Hotel Santika Tasikmalaya during the COVID-19 pandemic, two forms of compensation are categorized into the seniority pay category: severance pay and compensation money. For severance pay, there is no systematic change in the provision. Before and during the pandemic, the calculation of severance pay follows the applicable legal provisions, namely Law number 13 of 2003 concerning Employment, significantly articles 156 and 157 and at the time of the pandemic referring to Government Regulation number 35 of 2021. Even though there is a change in regulations in calculating compensation money, the calculation system remains the same. There are two components in severance pay: severance pay and award money. For the calculation of severance pay, employees who have worked for less than one year will get severance pay of 1 month of basic salary. Employees who have worked for more than one year but less than two years will get severance pay of 2 months of basic salary, and so on. Employees who have worked for more than eight years or more will receive severance pay of 9 months of basic salary.

Compensation money is the latest form of compensation that emerged during the pandemic due to the passing job Creation Law which only applies to employees with contract status or Specific Time Work Agreements (PKWT). For calculating compensation money according to PKWT, the compensation calculation will be calculated proportionally with the calculation based on years of service (in months) divided by 12 and multiplied by one month of basic salary. For the calculation of the award money, employees with more than three years of service or less than six years will get an award of 2 months of basic salary. Employees who have a service period of more than six years or less than nine years will get an award of 3 months of basic salary, and this continues until employees who have worked for 24 years or more will receive an award of 10 months of basic salary. The compensation payment system is also regulated explicitly in Government Regulation (PP) number 35 of 2021 concerning Work Agreements for Certain Time, Work Time, and Rest Time, and Termination of Employment Articles 15 and 16. PKWT for more than one year, the compensation will be calculated proportionally with the calculation: years of service (in months) divided by 12 multiplied by one month of basic salary. Compensation money will be given when the PKWT ends, and if the PKWT is extended, then the compensation money will be given when the PKWT finished before the extension. The extended PKWT will be given after the extension period ends.

Pay for Performance

In the pay for the performance category, there is only one form of direct financial compensation categorized into the pay-for-performance category, namely service fees. The calculation system does not change before and during the pandemic. The calculation system carried out by Hotel Santika Tasikmalaya for service fees is to divide the total service fees obtained for one month to all employees, both with permanent and contract status. The system applied is under the applicable rules, namely the Regulation of the Minister of Labour number 7 of 2016 concerning service fees for hotel businesses and restaurant businesses in hotels. The nature of pay for performance is not fixed and depends on the performance of employees and hotels or referred to as variable pay. Although the calculation of service fees is precise and fixed, the amount of service fees received each month will vary depending on the performance of employees and hotels.

Person-focused Pay
Person-focused pay or job allowance is a form of direct financial compensation given to people holding certain positions. The number of allowances received by each position will be different because, according to the definition, person-focused pay is the provision of wages based on an employee's background, position or special abilities as an added value for the company. In this case, Hotel Santika Tasikmalaya has given job benefits to employees who only have the positions of supervisor, assistant manager, and manager.

There is only 1 form of direct financial compensation in the person-focused pay category, namely job allowances that are only given to employees with certain positions, namely supervisors, assistant managers and managers. The job allowance calculation system has changed during the COVID-19 pandemic. If, before the pandemic, the calculation system for job allowances was fixed and monthly, then during the pandemic, the system changed. During the first month of the pandemic, when the hotel is not operating, employees get 75% of the nominal that is usually received. For the second month, when the hotel is still not operating, employees receive 50% of the nominal that is usually given; starting from the third month until now (June 2022) recalculation system changed to daily count (unpaid leave). With daily calculations, the nominal position allowance that the employee will receive each month will not be fixed and will depend on the number of working days the employee has. The calculation will be calculated proportionally. The nominal that is usually obtained every month will be divided by 22 working days and multiplied by the number of working days in that month.

Indirect Financial Compensation
Two forms of indirect financial compensation fall into the legal financial compensation category provided by Hotel Santika Tasikmalaya: BPJS health insurance and BPJS employment. These two forms of indirect compensation must be given to employees because they are regulated in Law number 24 of 2011, Presidential Regulation number 82 of 2018 concerning Health Insurance and Law number 40 of 2004 concerning the Social Security System. Both compensations did not change during the COVID-19 pandemic. Although the hotel's financial condition worsened, Hotel Santika Tasikmalaya still paid the portion the hotel had to pay following applicable rules.

Legally Required Benefits
The BPJS health insurance calculation system that the hotel must pay is 4% of the basic salary of each employee. As for BPJS employment insurance, the hotel pays four types of contributions which are included: pension plan, death insurance, pension insurance and work accident insurance. The following is the percentage of monthly contributions from each BPJS employment insurance program as follow:
- Pension Plan (JHT) of 5.7% of the basic salary, of which the company pays 3.7%.
- Pension Insurance of 3% of the basic salary, of which the company pays 2%.
- Death Insurance of 0.3% of basic salary.
- Work Accident Insurance of 0.54% of basic salary.
The percentage paid by the hotel every month is under applicable legal regulations, which are regulated in Government Regulation 84 of 2013 concerning the Ninth Amendment to Government Regulation 14 of 1993 concerning the Implementation of the Workers' Social Security Program.

Discretionary Benefits
Hotel Santika Tasikmalaya did not provide indirect compensation under the discretionary benefit category before and during the COVID-19 pandemic. The financial compensation system implemented, namely the daily calculation (unpaid leave), is expected to return to the calculation system before the pandemic, which is the monthly calculation because, with the implementation of the daily calculation, the nominal received by employees is not fixed every month. If it continues for too long, it is feared that it will impact job satisfaction and employee performance. However, Hotel Santika Tasikmalaya continues to pay the number of dues according to the rules that apply during the COVID-19 pandemic. This initiative should be maintained because by carrying out these steps, the hotel does not harm employees affected by changes in the calculation system in some forms of direct financial compensation.

CONCLUSION
The financial compensation system implemented by Hotel Santika Tasikmalaya changed the COVID-19 pandemic. The form of financial compensation provided by Hotel Santika Tasikmalaya during the COVID-19 pandemic includes direct and indirect financial compensation. In direct financial compensation, the forms provided are basic salary and transportation allowances categorized into the base pay category. Severance pay and compensation are categorized into the seniority pay category, service fees are categorized into the pay for the performance category, and position allowances are included in the person-focused pay category.
The indirect financial compensation is BPJS Health and Employment insurance, which is included in the category of legally required benefits. However, Hotel Santika Tasikmalaya does not provide indirect compensation, a category of discretionary benefits. At the time of the COVID-19 pandemic, Hotel Santika Tasikmalaya only made one change in providing a form of direct financial compensation: the emergence of a new form, namely compensation money.

Changes occurred in the direct financial compensation calculation system, especially in the basic salary, position allowance, and transportation allowance before the pandemic. A monthly calculation system was changed during the pandemic into a per-day calculation system (unpaid leave) because of the impact received by the hotel due to the pandemic and applies to every employee without exception and is still continuously implemented until this research is conducted. Other forms of direct financial compensation, namely service fees and severance pay, have not changed the calculation system during the COVID-19 pandemic. There was no change in compensation money because it was only applied during the pandemic. While the form of indirect financial compensation, namely BPJS health insurance and BPJS employment insurance, has not changed the calculation system. Hotel Santika Tasikmalaya continues to pay the number of contributions from BPJS health insurance and BPJS Employment insurance for all employees in total and under applicable laws.

The policy of providing various forms of direct and indirect financial compensation needs to be maintained. From six categories of financial compensation, Hotel Santika Tasikmalaya has provided five categories of financial compensation. Hotel Santika Tasikmalaya is expected to be able to add a form of financial compensation in the category of discretionary benefits in the future. By providing direct and indirect forms of compensation, the hotel is expected to increase its attractiveness regarding employee recruitment, motivation, and retention.

REFERENCES


