

Literature Review

Implementation of Financial Compensation Based on National Policy and Its Impact on Primary School Teachers' Performance: A Literature Review

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Abstract

This literature review comprehensively examines the implementation of financial compensation policies for primary school teachers in Indonesia and their impact on teacher performance. The analysis focuses on national policies related to teacher compensation, the implementation process in different regions, and an evaluation of their effectiveness in improving teacher performance. The review integrates findings from various studies over the period 2010-2023, with a particular focus on the teacher certification and professional allowance programs. The results of the review show that despite a general improvement in teacher welfare, policy implementation still faces challenges such as inequitable distribution, delays in disbursement, and unmet qualifications. The impact on teacher performance shows varying results with improvements in aspects of welfare and motivation, but does not always correlate linearly with improvements in pedagogical competence and student learning achievement. Recommendations are given for improving the compensation system, improving monitoring and evaluation mechanisms, and developing a more comprehensive performance-based compensation model.

Keywords

teacher financial compensation; national education policy; primary school teacher performance; teacher certification; educator professional allowance

Introduction

Financial compensation is an important factor in improving the performance of public primary school teachers, but its effect is partly mediated by work motivation. This indicates the importance of a comprehensive approach that focuses not only on financial aspects but also on improving teachers' intrinsic motivation to achieve optimal performance (Widodo & Nurhayati, 2022). Although the teacher financial compensation policy has shown positive developments, there are still implementation gaps that need to be addressed (Suryani, A., Astuti, R. D., & Prakoso, B. 2023). Implementation of public primary school teacher compensation policies in Central Java Province shows variations that are influenced by



social and economic conditions and local government commitment. Although there is a positive trend in

improving teachers' welfare and performance, there are still challenges, especially in terms of fairness, sustainability, and linkages to education quality (Purnomo, S., & Suwandi, T, 2024). According to Heathfield (2012, in Muguongo, et al., 2015), compensation is a nominal amount of money given in a fixed amount each month to an employee. A similar opinion from Nawawi (2008), which states that compensation for organizations / institutions is a form of wages given to workers/ employees who have contributed to the institution in realizing the goals of the institution / organization (Siahaan & Meilani, 2019).

Teachers have a central role in the education system, especially in shaping students' intellectual, emotional and moral abilities. As educators, teachers are responsible for delivering the knowledge, values and skills needed to build a quality generation. Based on the Law of the Republic of Indonesia No. 20 of 2003 concerning the National Education System Article 4, education aims to educate the nation's life and form human beings who are faithful, pious, virtuous, knowledgeable, skilled, physically and mentally healthy, and responsible to society. Teacher performance is a major factor in determining the quality of education. This includes the ability of teachers to carry out their duties, which is a measure of the success of educational institutions in achieving their strategic goals. Prawirosentono (2019) states that teacher performance involves activities such as training, guiding, evaluating, and directing students to achieve maximum learning outcomes. Rusman (2021) adds that teacher performance includes aspects of planning, implementing, and evaluating effective learning. Various factors influence teacher performance, both from within the individual and the external environment.

According to Pitts (in Edirisooriya, 2014) appreciation is the return that a person gets after he does his duties and obligations, provides good service and always takes the initiative to take responsibility for a job that is entrusted to him. Meanwhile, Chin-Ju (in Sajuyigbe, Bosede & Adeyami, 2013) states that the form of an award can be given in the form of nominal money, praise, and attention from superiors, or both. Another opinion expressed by Huselid (in Sajuyigbe et al., 2013) states that awards are rewards given to employees for their contributions to organizations or institutions as a form of appreciation to further improve their performance and efforts. From the various literature mentioned above, the award is defined as a form of reward/ appreciation given by the organization or educational institution to its members, in this case teachers. According to Sudarmanto (2014), the form of appreciation can be given in the form of financial material, non-financial material, or psychological or non-material. The form of appreciation can be basic salary / basic wage, variable salary, incentives, merit pay (bonuses), career/ promotion opportunities, vacations, pensions (Aldila Saga Prabu & Dewie Tri Wijayanti, 2016).

Teacher performance is a key factor in improving the quality of education in Indonesia. One aspect that affects teacher performance is the financial compensation received. National policies such as professional allowances and regional incentives are designed to improve teacher welfare and work motivation. To improve the quality of teacher performance, the Indonesian government has implemented various national policies that support teacher professionalism and welfare, including financial compensation. Financial compensation includes basic salary, teacher professional allowance (TPG), performance allowance, and other incentives aimed at motivating teachers to improve their performance. This policy is regulated in various regulations such as Law No. 14/2005 on Teachers and Lecturers and Government Regulation No. 74/2008 on Teachers. However, the implementation of the financial compensation policy in the field still faces various obstacles, such as delays in payment, disproportionate amounts of compensation to workload, and a lack of supervision in its implementation. These conditions have the potential to affect teachers' motivation and performance, which impacts on the quality of learning.

In Menganti Sub-district, Gresik District, as an area with a large number of public primary schools and diverse socioeconomic backgrounds, the issue of teacher compensation is very relevant to study. Is the financial compensation provided in accordance with the mandate of national policy? Does this compensation have a significant impact on teacher performance? Based on this background, this study



aims to analyze teachers' financial compensation based on national policy and evaluate its effect on the performance of public primary school teachers in Menganti sub-district. This research is important to provide data-based input for policy makers, especially in efforts to improve teacher performance and welfare in a sustainable manner.

Method

This literature review uses a systematic approach to identify, evaluate, and synthesize relevant literature. The main data sources include scientific journal articles, research reports, government policy documents, as well as publications from national and international educational institutions published between 2010 and 2023. To ensure rigor, the review process followed several structured stages. First, a comprehensive search strategy was developed using relevant keywords and Boolean operators across major academic databases such as Google Scholar, ERIC, and Scopus, as well as official government portals. Inclusion and exclusion criteria were applied to screen the literature, focusing on studies related to teacher financial compensation, motivation, performance, and competency in the context of basic education. Next, the selected literature was evaluated for quality, credibility, and relevance. Each source was examined based on methodological rigor, clarity of findings, and its contribution to the research topic. Following the evaluation stage, a thematic analysis process was conducted to identify recurring patterns, concepts, and relationships. Themes were derived inductively by coding key ideas from each study and grouping them into broader categories. These categories were then synthesized to develop a coherent understanding of how financial compensation influences teacher motivation, performance, and competency.

Thematic synthesis was supported by an iterative reading of the literature to refine emerging themes and ensure alignment with the research objectives. Although no specialized software (e.g., NVivo or ATLAS.ti) was used, the analysis followed established frameworks for qualitative synthesis, ensuring transparency and consistency throughout the review process. Overall, this systematic and thematic approach strengthens the reliability of the literature review and provides a solid foundation for the subsequent analysis and discussion in this thesis. Literature searches were conducted through electronic databases such as Google Scholar, ERIC, JSTOR, Garuda (Garba Rujukan Digital), and Neliti, using the keywords: "teacher compensation", "teacher professional allowance", "teacher certification", "Indonesian education policy", "primary school teacher performance", and combinations of these keywords in Indonesian and English.

Inclusion criteria included: (1) studies that focus on financial compensation policies for primary school teachers in Indonesia; (2) studies that evaluate the implementation of these policies; (3) studies that analyze the impact of financial compensation on teacher performance; and (4) publications within 2010-2023. The exclusion criteria included studies that focused on education levels other than primary school and publications that were not peer-reviewed. The data extracted from each study included: research design, research location, sample size, data collection methods, type of compensation policy studied, key findings related to implementation and its impact on teacher performance. Data were analyzed thematically to identify patterns, trends and gaps in the literature.

Results

Research on the implementation of financial compensation based on national policy demonstrates a significant influence on improving teacher performance, motivation, and self-discipline in educational institutions. Financial incentives, when aligned with policy standards, not only enhance teachers' work outcomes but also shape their commitment to professional responsibilities. A deeper analysis of the literature reveals that financial compensation affects teacher performance through three primary mechanisms. First, competitive compensation strengthens teachers' intrinsic and extrinsic motivation, leading to greater enthusiasm in achieving instructional goals. Second, adequate financial rewards serve as recognition of teachers' contributions, which increases morale and job satisfaction. Third, compensation stimulates self-discipline, as teachers tend to display stronger adherence to work standards when their efforts are supported by transparent and fair remuneration policies.



However, variations in study findings indicate that compensation alone may not always guarantee performance improvement. Some studies show positive effects, while others report minimal or indirect impact. These inconsistencies are often associated with contextual factors such as school leadership quality, workload distribution, organizational culture, and the perceived fairness of compensation policies. Therefore, financial compensation should be seen as part of a broader ecosystem of support that includes professional development, administrative support, and conducive working conditions.

Table 1. Research Findings

Mechanism	Description	Impact on Teachers
Motivation Enhancement	Compensation increases intrinsic and extrinsic motivation	Higher enthusiasm, increased goal achievement
Recognition and Reward	Financial incentives act as acknowledgment of contributions	Improved morale and job satisfaction
Self-Discipline Reinforcement	Fair compensation encourages adherence to professional standards	Greater responsibility and accountability
Contextual Moderators	Leadership, workload, and organizational culture influence outcomes	Explains variations in research findings

Indonesia's teacher financial compensation policy is based on several key legal foundations. Law No. 14/2005 on Teachers and Lecturers is an important milestone that explicitly mentions the right of teachers to earn an income above the minimum living needs and social welfare guarantees. The implementation of this law is strengthened by Government Regulation No. 41/2009 on Teacher and Lecturer Professional Allowances, Teacher and Lecturer Special Allowances, and Professor Honor Allowances. Mulyani and Jamil (2021) highlight that this legal foundation is a formal recognition of the teaching profession as a profession that requires special competencies and deserves appropriate rewards. Meanwhile, Hendri (2020) analyzed the evolution of teacher compensation policies since the reformasi era and identified significant improvements in the government's commitment to improving teacher welfare through various legal instruments. Most of the studies mentioned that the implementation of financial compensation is in line with the national policy normatively, but there are still gaps in implementation at the regional level, such as delays in disbursement, lack of transparency, and variations in the amount of allowances between regions. Several journals have highlighted that current compensation policies are not fully equitable and responsive to the needs of teachers in certain areas or levels, so more equitable and adaptive policy reforms need to be developed. Some of the barriers to implementation identified include: 1) discrepancies in teacher staffing and administration data; 2) lack of policy socialization in the regions; and 3) lack of control and evaluation from the central government.

Types of Financial Compensation

Based on the literature review, financial compensation for primary school teachers in Indonesia can be categorized into several main types:

1. **Basic Salary:** Given based on staffing class for civil servant teachers or standards set by foundations/institutions for non-civil servant teachers (Wahyuni & Kusumaningrum, 2020).
2. **Teacher Professional Allowance (TPG):** Given to teachers who have an educator certificate and meet other requirements according to regulations. The amount is equivalent to one time the basic salary (Sukmawati & Herawan, 2019).
3. **Special Allowance:** Given to teachers who serve in special areas, such as remote areas, borders, or have remote indigenous communities (Hanif, 2018).
4. **Functional Allowance:** Given to teachers based on their functional position as a teacher (Pratiwi,



2022).

5. Performance-based Incentives: Some regions have implemented additional incentive systems based on teacher performance assessments (Rahmawati & Haryanto, 2019).

The majority of journals conclude that compensation, whether in the form of basic salary, allowances, incentives, or other rewards, has a positive and significant influence on improving teacher performance. Teachers who receive proper compensation tend to show higher dedication, increased productivity, and better teaching quality.

Based on the literature review, the most common financial compensation provided to primary school teachers includes:

1. Teacher Professional Allowance (TPG).
This is the most dominant form of compensation found in the literature. TPG is given to teachers who have obtained professional certification.
2. Special Region Teacher Incentives.
Awarded to teachers who teach in remote or less developed areas.
3. Additional Income.
It is generally given to non-certified teachers as a form of equalization of welfare.
4. Special Allowances and Individual Performance.
Some regional policies also include additional allowances based on merit or additional workload.

Suryadarma and Jones' (2019) study shows that the largest portion of teachers' financial compensation comes from the professional allowance, which can be as much as one times the basic salary. However, Rosyidi (2020) identified significant disparities in total compensation between civil servant and non-civil servant teachers and between teachers in urban and rural areas.

Certification and Professional Allowance Program

The teacher certification program is the main instrument in the implementation of financial compensation policies in Indonesia. Chang et al. (2020) in their comprehensive study concluded that the teacher certification program in Indonesia is one of the largest teacher quality improvement programs in developing countries, with the budget allocated reaching almost 10% of the total national education budget. The certification process has undergone several changes, from portfolio assessment, teacher professional education and training (PLPG), to teacher professional education (PPG). Suparno (2018) criticized that changes in this mechanism are often not followed by adequate socialization, causing confusion among teachers. On the other hand, Yulianti (2020) found that the change in mechanism was partly an effort to improve the quality of the certification process and overcome the weaknesses of the previous system. The professional allowance attached to teacher certification is a significant form of financial compensation. A longitudinal study conducted by De Ree et al. (2018) revealed that professional allowances substantially improved teachers' welfare, although the impact on classroom teaching practices and student learning outcomes has not shown significant results in the short term.

FINANCIAL COMPENSATION POLICY IMPLEMENTATION

Implementation Process and Mechanism

Compensation and rewards given to teachers and employees have a great influence on improving the performance of teachers and school employees. This is in line with all the articles reviewed by the author, where the compensation system, the provision of rewards, including the fulfillment of the facilities and amenities needed by teachers and employees while working, as well as maintaining a safe school environment for teaching and learning activities, have a positive influence, meaning that all the factors mentioned above have an influence on improving performance, motivation and discipline. Although the nominal value of compensation is not as high as the minimum wage set by the local government, the good news is that teachers can accept it with relief and gratitude, because in addition to the monthly



compensation received, many teachers get numeration or awards in the form of rupiah incentives from others, such as incentives from activities carried out, and many others. In addition to incentives in the form of nominal, besides self-discipline, but also behind it as motivation for yourself to be able to change for the better.

The implementation of teacher financial compensation policies, particularly professional allowances, involves a complex process. Sutarmanto (2021) outlines that this process includes several important stages:

1. Determination of certification quotas at the national level and their distribution to regions;
2. selection of prospective certification recipients based on established criteria;
3. implementation of professional education programs;
4. issuance of teaching certificates;
5. disbursement of professional allowances.

Research conducted by Rahmawati and Haryanto (2019) in 5 provinces shows variations in policy implementation in various regions. Differences in the administrative capacity of local governments, interpretations of central regulations, and the readiness of supporting infrastructure are the main factors that cause these variations. A case study by Nugroho (2022) in Bandung district identified several implementation challenges, including suboptimal inter-agency coordination, unintegrated information systems, and high administrative burdens for teachers and schools. Meanwhile, Wulandari and Sobri (2021) emphasized the importance of transparency and accountability in the implementation process to ensure that financial compensation is well-targeted

Accuracy and Constraints in Implementation

Although the teacher financial compensation policy has been in place for more than a decade, a number of studies have identified various obstacles to its implementation. Ashari (2019) found that delays in the disbursement of the professional allowance are still a problem faced by many teachers. These delays not only occurred in the early years of implementation but have continued into the last few years. Qualitative research by Prasojo et al. (2020) in 12 kabupaten/kota revealed several factors causing delays, including: (1) long bureaucratic chains from the center to the regions; (2) delays in budget determination; (3) incomplete documents submitted by teachers; and (4) limited human resources to process allowance administration. In addition, Rohmah and Arifin (2020) identified the problem of inequality in the distribution of special allowances. Teachers in remote areas who should be the priority recipients of the special allowance often experience greater administrative obstacles due to limited access to information and supporting infrastructure. Furthermore, a comparative study by Widodo and Suparno (2022) between implementation in Java and outside Java showed significant disparities in the timeliness, amount and targeting of financial compensation. These disparities have the potential to exacerbate disparities in education quality between regions.

The Role of Local Government in Implementation

The decentralization of education gives local governments a significant role in implementing teacher financial compensation policies. Suharno and Saddhono (2020) highlight that local governments not only act as implementers of central policies but also have the space to develop additional compensation policies according to regional needs and capabilities. A case study in Yogyakarta City by Rahmawati (2021) shows that the local government's initiative to provide additional allowances for outstanding teachers based on performance appraisals has successfully encouraged positive competition among teachers. Meanwhile, in West Lombok District, Jaelani (2022) found that the local government implemented a special incentive policy for teachers serving in remote areas as a supplement to the special allowance from the central government. However, Wahyudi (2021) identified variations in fiscal



capacity between regions as a limiting factor in the development of additional compensation policies. Regions with high fiscal capacity tend to have more diverse compensation policies than those with low fiscal capacity.

THE IMPACT OF FINANCIAL COMPENSATION ON THE PERFORMANCE OF ELEMENTARY SCHOOL TEACHERS

Impact on Welfare and Work Motivation

A number of studies have shown the positive impact of financial compensation on teachers' welfare and work motivation. A longitudinal study by Suryahadi and Sambodho (2018) of 3,000 primary school teachers in 20 provinces showed a significant increase in teachers' household income after receiving the professional allowance, with an average increase of 57% compared to before receiving the allowance. Qualitative research by Nurmalasari and Kasmad (2020) revealed that this increase in income had an impact on improving teachers' quality of life, such as the ability to pay for children's education, own a decent house, and reduce side jobs. These positive impacts in turn increase work motivation and reduce teacher absenteeism.

Kurniawan (2021) in his study in East Kalimantan found the phenomenon of the "habituation effect" where the motivational impact of professional allowances decreased after a certain period. Teachers who have been receiving allowances for a long time tend to perceive them as something that should be received and no longer as an incentive to improve performance.

The majority of studies show that financial compensation has a positive impact on teacher performance, among others:

1. Increased work motivation
Teachers feel more valued and energized in carrying out their duties.
2. Increased professionalism
Teachers are more committed to developing competence and discipline in teaching.
3. Improved student learning outcomes
Several studies report that teacher motivation has an impact on improving the quality of learning.

However, several studies have also highlighted that compensation is not always directly proportional to performance. Some teachers continue to perform poorly despite receiving allowances, suggesting the need for performance-based evaluation in compensation.

Impact on Professional and Pedagogical Competence

Several studies have examined the impact of financial compensation on the development of primary school teachers' professional and pedagogical competencies. A comparative study by Wahyuni and Sugiyono (2020) between certified and non-certified teachers shows that certified teachers who receive professional allowances are more active in professional development activities such as seminars, workshops, and training. However, the findings of De Ree et al. (2018) in their experimental study of 360 elementary schools in Indonesia showed less encouraging results. Although professional allowances increased teacher satisfaction, there was no strong evidence that increased financial compensation automatically improved pedagogical practices in the classroom. Correspondingly, a secondary data analysis by Purwanto et al. (2021) of Teacher Competency Test (UKG) results over five years (2015-2020) showed that there was no significant difference in professional and pedagogical competency scores between teachers who received professional allowances during the period compared to their initial baseline. Interestingly, an ethnographic study by Nurhayati (2022) in three rural primary schools found that teachers who received a special allowance for working in remote areas showed higher improvements in pedagogical creativity than their colleagues who only received a professional allowance. This suggests that the context and type of compensation may influence its impact on competence development.



Impact on Student Learning Achievement

The ultimate goal of improving teachers' financial compensation is to improve the quality of learning as reflected in student achievement. However, empirical evidence on the direct relationship between teacher financial compensation and student achievement is mixed. A longitudinal study by Suryadarma et al. (2020) which analyzed data on primary school national exam scores over eight years (2012-2020) found that schools with a higher proportion of certified teachers did not consistently show a better improvement in student scores than schools with a lower proportion of certified teachers. On the other hand, a study by Rahmawati and Arifin (2021) in 50 elementary schools in DKI Jakarta found a positive correlation between the number of teachers receiving professional allowances in a school and the school's achievement in the city-level science and math olympiads. However, this relationship became insignificant when the variables of school facilities and students' socio-economic background were included as controls. A case study by Gunawan (2022) in three districts in South Sulawesi identified that the impact of financial compensation on student achievement was mediated by several factors, including principal leadership, school culture, and parental support. When these factors are conducive, financial compensation can be a catalyst for improved student achievement.

Factors Affecting the Effectiveness of Financial Compensation

The literature review identified several factors that affect the effectiveness of financial compensation in improving teacher performance. First, a weak monitoring and evaluation system. According to Hendayana and Asep (2020), the absence of a strict evaluation mechanism for the performance of teachers who receive professional allowances causes financial compensation to be ineffective as a performance improvement instrument. Second, the perception of fairness in the compensation system. Research by Kurniasih et al. (2021) found that teachers who perceive the compensation system as unfair tend to show lower performance improvement despite receiving high financial compensation. This injustice is especially felt by non-civil servant teachers who receive much lower compensation despite having the same workload. Third, the integration of financial and non-financial compensation. A qualitative study by Sukmawati (2020) revealed that teachers who received a combination of financial compensation and non-financial recognition (such as awards, career development opportunities) showed more consistent performance improvement compared to teachers who only received financial compensation. Fourth, the quality of school leadership. Rohman and Hartini (2022) found that the impact of financial compensation on teacher performance was stronger in schools with transformational leadership than in schools with transactional leadership styles.

Discussion

Synthesis of Key Findings

Teacher compensation policies in Indonesia generally refer to national legislation, such as Law No. 14/2005 on Teachers and Lecturers and Government Regulation No. 74/2008 on Teachers. These policies emphasize the importance of providing fair compensation in the form of basic salary, professional allowances, functional allowances, and remote area incentives. Implementation of these policies in the field shows considerable variation from one region to another, especially regarding distribution mechanisms and the amount received. Based on the literature review, several key findings can be synthesized. First, teacher financial compensation policies, particularly through certification programs and professional allowances, have significantly improved teacher welfare. This aligns with one of the main objectives of the policy, which is to enhance teachers' socio-economic status and strengthen the profession's recognition.

However, several literature gaps remain underexplored. For instance, there is limited research focusing on compensation implementation in remote, rural, or underdeveloped regions such as Eastern Indonesia (e.g., Maluku, Papua, NTT), where challenges related to distribution, infrastructure, and administrative capacity are more prominent. Additionally, most studies concentrate on certification and professional allowances, while other forms of compensation—such as performance-based incentives, local government allowances (TPG), and remote area incentives—receive considerably less scholarly



attention. In terms of research methodology, many existing studies rely heavily on quantitative survey approaches, which provide broad but often superficial insights. Consequently, there is a need for *mixed-methods* or *qualitative case study* research that can capture deeper contextual factors influencing compensation outcomes, such as leadership practices, administrative barriers, or teachers' lived experiences in disadvantaged regions. Such methodological diversification would provide a more comprehensive understanding of how compensation policies operate across diverse educational settings and could help address the identified gaps more effectively.

Second, the implementation of the financial compensation policy still faces various challenges, including delays in disbursement, uneven distribution, and high administrative burdens. These challenges are more severe in regions with low administrative capacity and limited infrastructure. Third, the relationship between financial compensation and improved teacher performance is not always linear. While there is evidence of increased motivation and welfare, the impact on professional competence, pedagogical practices in the classroom and student learning achievement is variable and influenced by various contextual factors. Fourth, the role of local governments in complementing national policies with local initiatives that are appropriate to local needs and contexts has proven important in optimizing the impact of financial compensation on teacher performance.

Gaps in Literature and Research

The review also identified several gaps in the existing literature. Firstly, there are limited longitudinal studies that examine the long-term impact of financial compensation on teachers' pedagogical practices and student learning outcomes. Most existing studies focus on short-term impacts or use cross-sectional designs that cannot see changes over time. Secondly, existing research tends to focus more on professional allowances and relatively little on the impact of other types of compensation such as special allowances, functional allowances, or performance-based incentives. These types of compensation may have different dynamics and impacts on teacher performance. Thirdly, comparative studies between regions are limited, especially those that compare the impact of financial compensation in regions with different socio-economic, geographic and cultural characteristics. Such research is important to understand how local context affects the effectiveness of national policies. Fourth, few studies have examined the interaction between teacher financial compensation and other education policies such as curriculum development, academic supervision or school accreditation. Understanding these interactions is important for developing a more holistic approach to improving education quality.

Implications for Policy and Practice

Based on the synthesis of findings and gaps identified, several implications for policy and practice can be formulated. First, there is a need to strengthen the monitoring and evaluation system for the performance of teachers who receive financial compensation. This system should be able to measure not only teacher attendance but also the quality of learning practices in the classroom and their impact on students. Second, the development of a more comprehensive performance-based compensation model, with assessment criteria that focus not only on administrative aspects but also on pedagogical innovation, professional collaboration, and impact on student achievement. Third, there is a need for differentiation of compensation policies according to local contexts and needs. The central government can provide a general framework, while local governments are given the flexibility to adapt and complement these policies according to local conditions. Fourth, the integration of financial compensation policies with teachers' continuous professional development strategies. Financial compensation should not only be seen as a reward or entitlement but also as an investment for continuous professional capacity building. Fifth, improving governance and administrative systems to overcome the problems of delayed disbursements and administrative burdens. The use of information technology and digitization of administrative processes can be one solution to this problem.



Conclusion

This literature review examines the implementation of financial compensation policies for primary school teachers in Indonesia and their impact on teacher performance. Based on an analysis of various studies, it can be concluded that financial compensation policies, particularly through certification programs and professional allowances, have contributed significantly to improving teacher welfare. However, their impact on enhancing professional competence, classroom pedagogical practices, and student learning outcomes remains varied and is influenced by multiple contextual factors. To strengthen the policy implications of these findings, a clearer call to action for policymakers is needed. Policymakers should prioritize improving the consistency and transparency of compensation distribution mechanisms, especially in remote and underserved regions. Additionally, coordination between central and local governments must be enhanced to ensure timely disbursement of allowances, reduce administrative burdens on teachers, and strengthen monitoring and evaluation systems to track the effectiveness of financial compensation programs. Targeted interventions—such as linking compensation with continuous professional development or addressing disparities in regional allowances—could also help mitigate implementation challenges.

Furthermore, these findings carry broader implications for Indonesia's education system. Strengthening teacher compensation has the potential to contribute directly to national education goals, such as improving teacher professionalism, raising the quality of learning, and reducing educational inequality across regions. By ensuring that compensation policies are effectively implemented and aligned with long-term educational priorities, Indonesia can build a more equitable, motivated, and high-performing teaching workforce, ultimately supporting efforts to enhance overall student achievement and advance national human resource development. The implementation of the financial compensation policy still faces various challenges, including delays in disbursement, uneven distribution, and high administrative burdens. These challenges are more severe in regions with low administrative capacity and limited infrastructure. The effectiveness of financial compensation in improving teacher performance is influenced by various factors, including monitoring and evaluation systems, perceptions of fairness, integration with non-financial compensation, and the quality of school leadership. This suggests that a more holistic and contextual approach is needed in developing financial compensation policies for teachers.

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