COMPENSATION FAIRNESS AND DRIVER SWITCHING INTENTION: EVIDENCE FROM KSU SEDANA MURTI BALI



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ABSTRACT

This study examines the relationship between compensation fairness and driver switching intention, with empirical evidence drawn from Koperasi Serba Usaha (KSU) Sedana Murti in Bali. A mixed-method exploratory sequential design was employed, beginning with qualitative exploration through Focus Group Discussions (FGDs) and in-depth interviews, followed by quantitative analysis using multiple regression. The qualitative phase revealed that drivers' reluctance to remain on online platforms is shaped by perceptions of external fairness (full income without commission deductions and competitive fares), internal fairness (transparent operations and proportional incentives), and individual fairness (income adequacy to support personal and family needs). Additional non-financial factors such as professional pride, guest satisfaction, and work comfort also reinforced the preference for tourist taxi systems.

Quantitative results confirmed these findings, showing that external fairness (X₁), internal fairness (X₂), and individual fairness (X₃) all significantly affect switching intention (Y), with an Adjusted R² value of 0.907. Among them, individual fairness emerged as the most dominant factor. These results validate the relevance of Compensation Fairness Theory and Switching Intention Theory within the framework of the Theory of Planned Behavior, demonstrating that perceived fairness strongly drives occupational decisions in Bali's tourism transport sector.

Building on these findings, the study developed the Compensation Fairness Applied Model (CFAM), a cooperative-based framework designed to enhance fair compensation and facilitate the transition of drivers from online taxis to tourist taxis. The model addresses external fairness through regulatory advocacy and tourism partnerships, internal fairness through transparent incentives and grievance mechanisms, and individual fairness through income protection schemes and financial literacy programs.

Theoretically, this study contributes to the literature by integrating fairness and switching intention in the unique context of Bali's tourism economy. Practically, it provides a policy-relevant framework for cooperatives, government agencies, and industry stakeholders to strengthen welfare protection, cooperative loyalty, and sustainable tourism transportation in Bali.

Keywords: Compensation Fairness, Switching Intention, Online Taxi, Tourist Taxi, CFAM, Bali



PREFACE

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Lastly, the Author hopes that this research will contribute to the academic community, provide insights for policymakers, and serve as a useful reference for businesses and industry stakeholders in Bali's transportation sector, particularly in understanding compensation fairness and adaptation strategies in the digital era.



TABLE OF CONTENTS

DECLARATION OF AUTHENTICITYi			
COUNSELOR APPROVAL SHEETi			
FORMATION OF THE EXAMINATION COMMITTEEi			
PREFACEi			
TABLE OF C	TABLE OF CONTENTSvi		
LIST OF TAI	BLES	ix	
LIST OF FIG	URES	x	
LIST OF ATTACHMENTS			
	TION		
	kground		
1.2 Pro	blem Formulation	7	
1.3 Res	earch Objectives		
1.3.1	General Objective	8	
1.3.2	Specific Objectives	8	
1.4 Sig	nificance of the Study		
1.4.1	Theoretical Significance	9	
1.4.2	Practical Significance	9	
LITERATUR	E REVIEW AND RESEARCH FRAMEWORK	12	
	rature Review		
2.2 Cor	icept	22	
2.2.1	Online Taxi	22	
2.2.2	Community-Based Transport Cooperative	25	
2.2.3	Tourist taxi	27	
2.3 The	oretical Foundation	28	
2.3.1	Transportation Theory	28	
2.3.2	Compensation Fairness Theory	33	
2.3.3	Switching Intention Theory	37	
2.3.4 Theory of Perception, Motivation, and Employee Commitment		39	
2.4 Pre	vious Researches	46	
2.5 Research Framework			
RESEARCH	METHOD	57	

3.1	Re	search Design	57
3.2	Lo	cation and Object of Research	58
3.3	Op	erational Definition of Research Variables	59
3.4	Ty	pes of Data and Data Sources	60
3.4	.1	Data Types	60
3.4	1.2	Data Sources	61
3.5	Sar	mple Determination	61
3.6	Da	ta Collection Techniques	63
3.6	5.1	Focus Group Discussion (FGD)	63
3.6	5.2	Interview	63
3.6	5.3	Questionnaires	64
3.6	5.4	Observation	64
3.6	5.5	Document Study	65
3.7	Da	ta Analysis Techniques	65
3.7	7.1	Qualitative Data Analysis Technique	65
3.7	7.2	Quantitative Data Analysis Technique	67
GENEF	AL (OVERVIEW OF KSU SEDANA MURTI	76
4.1	Lo	cation and General Profile	76
4.2	Pro	oduct	78
4.3	Or	ganizational Structure	81
4.4	1.1	Head Office Organizational Structure (Negara)	81
4.4	.2	Organizational Structure of the Denpasar Business Unit	83
RESUL	TS A	ND DISCUSSION	86
5.1	Re	search Phase 1	87
5.2	Re	seach Phase 2	119
5.2	2.1	Result	119
5.2	2.2	Discussion	132
5.3	Ap	plied Research Output	137
CLOSI	NG		146
6.1	Co	nclusion	146
6.2	Re	ccomendation	147
REFER	ENC	ES	151
ATTAC	НМ	ENT	157

LIST OF TABLES

No.	Tables	Page
Table 2.1	Previous Research	50
Table 5.1	Interview Question to Tourist Taxi Drivers	92
Table 5.2	Findings and Categorized Theme based on Interview Questions 1	93
Table 5.3	Findings and Categorized Theme based on Interview Questions 2	105
Table 5.4	Findings and Categorized Theme based on Interview Questions 3	114
Table 5.5	Validity Test Results for Compensation Fairness Variables (Compensation Fairness Theory) and Switching Intention Variable (Theory of Planned Behavior)	121
Table 5.6	Reliability Test Results for Compensation Fairness Variables (Compensation Fairness Theory) and Switching Intention Variable (Theory of Planned Behavior)	123
Table 5.7	Normality Test Results Using One-Sample Kolmogorov-Smirnov Test	124
Table 5.8	Multicollinearity Test Result	126
Table 5.9	Linearity Test Result	127
Table 5.10	Autocorrelation Test Result	127

LIST OF FIGURES

No.	Figures	Page
Figure 2.1	Research Framework	54
Figure 3.1	Exploratory Sequential Design	58
Figure 4.1	KSU Sedana Murti Business Unit Office	77
Figure 4.2	Organizational Structure of KSU Sedana Murti Head Office	82
Figure 4.3	Researcher (right) with the Operational Manager of the Business Unit at KSU Sedana Murti (left)	s 83
Figure 4.4	Organizational Structure of KSU Sedana Murti Bussiness Unit	83
Figure 5.1	The demonstration by Forum Perjuangan Driver Pariwisata Bali (FPDPB) that trigger the Focus Group Discussion	88
Figure 5.2	The Focus Group Discussion Process	89
Figure 5.3	Observational Snapshot of a Tourist Taxi Base Used during the Qualitative Interview Phase	91
Figure 5.4	Bar Chart of Interview Themes: Refusal to Join Online Taxi	94
Figure 5.5	Bar Chart of Interview Themes: Compensation Fairness in Online Taxi Platforms	107
Figure 5.6	Bar Chart of Interview Themes: Survival Strategies by Tourist taxi drivers	116
Figure 5.7	Heteroscedasticity Result by SPSS (scatterplot)	125
Figure 5.8	Compensation Fairness Applied Model (CFAM)	140

LIST OF ATTACHMENTS

No.	Attachments	Page
Attachment 1	List of Informants for Research	157
Attachment 2	Tourist taxi Interview Guide	157
Attachment 3	Questionnaire of Compensation Fairness	158
Attachment 4	Questionnaire of Switching Intention	159
Attachment 5	Distribution r-table	160
Attachment 6	Validity Test Result by SPSS	161
Attachment 7	Reliability Test Result	161
Attachment 8	Normality Test Result	164
Attachment 9	Heteroskedasticity Test Result	164
Attachment 10	Result of Multicollinearity Test, Linearity Test, Autocorrelation Test, Multiple Linear Regression Analysis, Coefficient of Determination Analysis, t-test, and F-test	165

POLITEKNIK NEGERI BALI

CHAPTER I

INTRODUCTION

1.1 Background

Tourism has emerged as the primary catalyst propelling Bali's economy, significantly contributing to Regional Own-Source Revenue (PAD) and generating substantial employment possibilities for local populations (Rusyidi & Fedryansah, 2019). In this context, the caliber of human resources is crucial in achieving sustainable and inclusive tourist growth. Setijawan (2018) asserts that increasing human resource capacity in the tourism sector is essential for advancing community welfare while providing optimal service to tourists. Consequently, the active participation of local communities at all phases of tourist development is essential for cultivating a sense of ownership and collective responsibility in advancing sustainable tourism.

Transportation has a crucial and strategic role among the numerous supporting sectors of Bali's tourism. Fajri & Kartika (2016) assert that transportation is a fundamental component of tourism activities. This phenomenon is observable in prominent locations like as Kuta, Seminyak, Canggu, and Uluwatu. These regions attract both local and foreign tourists, generating significant demand for transportation services to facilitate tourists' mobility in their explorations, and absorbing a lot of significant employment.

Taxis constitute a substantial segment of the transportation sector within Bali's tourism economy. A multitude of tourists select cabs as an efficient mode of transportation between destinations. Moreover, in Bali, numerous local inhabitants

operate as taxi drivers, offering transportation services while simultaneously acting as a representatives of the local culture and sources of local knowledge that are highly valuable to tourists.

The participation of local people as tourist taxi driver exemplifies the practical application of sustainable tourism principles. This corresponds with the indicators of sustainable tourism development as outlined by the World Tourism Organization (UNWTO), especially the indicators directly related to human resource development, namely economic sustainability, community welfare, social equity, employment, local community control in tourism activities, and community prosperity (Budiani, Sri Rahayu. Wahdaningrum *et al.*, 2018). Moreover, Page in Rusyidi & Fedryansah (2019) that the active participation of local communities in tourism development, referred to as a community-based strategy, is crucial for ensuring that the economic and social advantages of tourism activities are optimally experienced by the local community.

Nonetheless, as time progresses, sustainable tourism development can no longer ignore dynamic global realities, especially the phenomena of globalization and digitalization. Globalization, characterized by advancements in information and communication technologies, has significantly changed lifestyles across various parts of the world (Sa'adah, 2019). The advancement of digital technology has significantly influenced the transportation sector, particularly through the advent of several application-based online platforms. This has resulted in significant alterations in the manner in which individuals access various services, including transportation services.

The rapid development of digital technology offers both benefits and challenges for the local transportation industry. In the realm of tourism in Bali, digitalization—marked by the rise of diverse app-based transportation services—has assumed a crucial role in facilitating tourist movement. This phenomena has resulted in intricate socio-economic effects, particularly on the existence of local transportation services, which requires serious attention in relation to the goals of sustainable tourism development that are oriented toward the welfare of the local community.

A concrete example of digital technological is the rise of online-based transportation companies, which represent a service innovation in mobile commerce (m-commerce) (Silalahi *et al.*, 2017). Gojek is one of the leading online taxi platforms in Indonesia. Paramadita, as cited in Wijaya (2023), illustrates that Gojek is an exemplary application-based company in Indonesia that, although without any vehicle assets, has successfully excelled and competed with major taxi firms and established entities in the transportation sector, thereby securing a substantial market share. The Gojek application occupies the top position in the "Mobile App Ranking" for the transportation sector in Indonesia, surpassing competing app-based transportation services like Grab Taxi and Uber (Pangaribuan *et al.*, 2016).

The use of online taxi services has now penetrated various segments, including tourism. Pangaribuan *et al.* (2016) elucidate that an observable phenomenon is that tourists have begun to make the internet a necessity during travel, including for finding information and transportation while vacationing in

Bali. Similarly, Pratiwi & Kesumadewi (2017) observe that tourists increasingly regard the internet as an essential resource throughout their holiday in Bali, utilizing it for information and transportation inquiries throughout their journey. Interviews in the survey indicated that tourists utilize online taxi services based on recommendations from friends or acquaintances who have already employed them, regardless of location, including Bali. Moreover, the practice of online transactions, which has emerged as a prevalent trend among visitors, along with the more affordable fares relative to traditional taxi services, has significantly enhanced the popularity of these online taxi platforms.

In truth, globalization propelled by technical progress has yielded consequences that are not invariably advantageous for the local labor force in Bali's tourism sector. The conflict between traditional (tourist) taxis and online cabs exemplifies a shift that has not been wholly inclusive. For example, detik.com (2023) recorded a minimum of three instances of conflict between tourist taxi drivers and online taxi drivers in various areas in Bali, encompassing acts of violence and the targeting of foreign tourists. Pratiwi & Kesumadewi (2017) demonstrated that tourist taxi drivers showed negative reactions to the emergence of online taxis, arguing that local residents had the entitlement to engage in the tourism sector, including the provision of transportation services.

This tension indicates the need for a more equitable and sustainable approach in integrating technology into the tourism transportation sector. Moreover, Nadeak (2022) mentions that the safety and comfort of tourists greatly influence their interest in visiting and their loyalty to a destination. On the other

hand, although most tourist taxi drivers have been reluctant to switch to app-based systems, field observations show that there are also online taxi drivers who choose to leave the digital platforms and return to being tourist taxi drivers due to income instability.

This phenomena is relevant to the concept of switching intention, defined as an individual's tendency to move from one work system to another viewed as more beneficial or economically secure. Palacios *et al.* (2022) assert that income volatility or uncertainty, along with high dependence on digital application systems, are the main factors causing ride-hailing drivers to switch to more stable jobs such as tourist taxi driving. Research conducted by Ahmed *et al.* (2021) indicates that shows that unfair compensation provided by digital platforms is a key determinant in drivers' decisions to leave those platforms, as dissatisfaction with compensation creates high financial uncertainty.

The partnership mechanism established by businesses such as Gojek is a primary factor contributing to the inadequate pay of online taxi drivers. According to the results of Puspa & Sarjana (2021), this partnership system fails to comply with labor law rules, namely concerning salary security and driver welfare. The partnership plan is deemed harmful to drivers as it fails to ensure a constant minimum income and entails substantial commission deductions by the application providers.

Although the Ministry of Transportation (Kemenhub) enacting restrictions via the Minister of Transportation's Decree Number KP 667 Year 2022, which limits application fees to a maximum of 15%, Gojek and Grab continue to impose

commissions as high as 20% (Katadata.co.id, 2022). This fact indicates weak oversight and the unclear legal status of the application providers, which indirectly has a negative impact on the welfare of online driver partners.

In this scenario, cooperatives like KSU Sedana Murti assume a strategic role in Bali. This cooperative offers a range of services, including administrative administration, legal operational support, financial security via a solidarity fund, and technical competency training for online drivers. Nevertheless, firsthand observation indicates that certain members believe the advantages provided by the cooperative not optimal and have not fully addressed their fundamental issues, namely income instability caused by high commission cuts by the platform and fares that are perceived to be too low.

These situations highlight the necessity of thoroughly analyzing compensation fairness, since compensation serves as a fundamental incentive for individuals to engage in and sustain their employment commitment. Hasibuan in Sutrisno (2015) asserts that fair compensation is not merely a form of financial reward, but also an appreciation of workers' dedication that greatly determines job satisfaction and loyalty. Oktarini & Indrawati (2014) add that the perception of compensation fairness strongly influences a worker's commitment to their organization or profession, which in this context is relevant to the phenomenon of online drivers switching to become tourist taxi drivers.

The ugency of this research becomes even stronger when linked to the sustainability of the local workforce in Bali's tourism industry. Considering that tourism constitutes the foundation of Bali's economy, it is imperative to guarantee

welfare and fair compensation for local workers to uphold sustainable tourism development. Neglecting compensation fairness may exacerbate socio-economic differences within the local workforce, ultimately detrimentally impacting the overall quality of tourism services in Bali.

Based on these phenomena and conditions, this study seeks to assess how the perception of compensation fairness affects online taxi drivers' motivation in transitioning to tourist taxi drivers in Bali. Through an exploratory sequential mixed method approach, this research is expected to provide a comprehensive understanding of the switching intention phenomenon, namely the decision-making process of online taxi drivers transitioning to tourist taxi drivers in Bali. This study employs a comprehensive qualitative analysis through interviews with tourist taxi drivers, alongside a quantitative assessment utilizing multiple linear regression to evaluate the perceived fairness of compensation among online taxi drivers—including Gojek as the platform provider, cooperatives such as KSU Sedana Murti as partner management entities, and the regional government as regulator—this study's recommendations are expected to encourage the creation of a compensation system that is more fair, stable, and sustainable, in order to ensure the welfare and continuity of the local workforce in Bali's digital tourism ecosystem.

1.2 Problem Formulation

In light of the stated background, the study questions are formulated as follows:

- a. What are the indicators of compensation fairness (external, internal, and individual) as perceived by tourist taxi drivers in Bali that serve as reasons for them to remain as tourist taxi drivers rather than switching to online taxi platforms?
- b. How does compensation fairness (external, internal, and individual), as perceived by online taxi drivers of KSU Sedana Murti, influence by partially and simultaneously to their interest in switching to become tourist taxi drivers in Bali?
- c. What model of compensation fairness on the switching intention of KSU Sedana Murti Online Taxi Drivers could be designed and applied to become Tourist Taxi Driver in Bali?

1.3 Research Objectives

1.3.1 General Objective

This study aims to analyze the influence of perceived compensation fairness on the interest of online taxi drivers who are members of KSU Sedana Murti to switch to become tourist taxi drivers in Bali, through an exploratory sequential mixed method approach that begins with a qualitative exploration to identify compensation fairness indicators, followed by a quantitative analysis using multiple linear regression.

1.3.2 Specific Objectives

The specific objectives of this research are:

- a. To identify and categorize the indicators of compensation fairness (external, internal, and individual) as perceived by tourist taxi drivers in Bali as reasons for them to remain in their profession and not switch to online taxi platforms.
- b. To analyze, both partially and simultaneously, the influence of perceived compensation fairness (external, internal, and individual) on the interest of online taxi drivers of KSU Sedana Murti in switching to become tourist taxi drivers in Bali.
- c. To design and propose an applied model of compensation fairness that can be implemented by KSU Sedana Murti to increase the switching intention of its online taxi driver members to become tourist taxi drivers in Bali.

1.4 Significance of the Study

1.4.1 Theoretical Significance

This research provides a theoretical contribution to the development of the concepts of compensation fairness and switching intention in the context of the digital tourism transportation sector. In addition to enriching the literature on the adaptation of local workers in the face of digital disruption, this study also strengthens the understanding of the factors that influence work decisions in the sharing economy ecosystem.

1.4.2 Practical Significance

Practically, this research offers benefits for several parties, as follows:

a. For Students (as Researchers)

This study provides benefits for students as researchers by offering practical experience in designing, implementing, and analyzing research in the field of tourism management. This experience can enhance research skills, increase understanding of current issues in the industry, and provide a significant contribution toward completing a thesis in the final semester of the Master of Applied Tourism Business Planning program, Tourism Department, Politeknik Negeri Bali, in 2025.

b. For Politeknik Negeri Bali

This study offers practical benefits for Politeknik Negeri Bali as a higher education institution by providing data and findings that can be used to develop curriculum and course materials more relevant to current challenges in the tourism industry, especially in the context of transportation and the impacts of globalization. In addition, this research fulfills one of the graduation requirements in the final semester of the Master of Applied Tourism Business Planning program, Tourism Department, Politeknik Negeri Bali.

c. For the Government

This research provides data-driven insights regarding local transportation workers' perceptions of compensation fairness and their work motivations. These findings can serve as considerations in formulating policies and regulations related to labor protection, oversight of online taxi application providers, as well as the empowerment of cooperatives as an alternative model of digital transportation management that is more fair and sustainable.

d. For Related Companies/Industries/Businesses

This research provides insights into partners' perceptions of the compensation system and its impact on career decisions. The results can be used to improve internal policies of cooperatives and application providers, to design a fairer partnership scheme, and to encourage long-term partner retention.



CHAPTER VI

CLOSING

6.1 Conclusion

This research employed a mixed-method exploratory sequential design to examine how compensation fairness influences the switching intention of KSU Sedana Murti online taxi drivers to become tourist taxi drivers in Bali. The qualitative phase explored the perspectives of tourist taxi drivers and identified key themes related to fairness and occupational choice. These themes informed the development of the quantitative instrument, which was distributed to online taxi drivers.

Findings from the qualitative phase revealed that the drivers' decision to remain in the tourist taxi system is shaped by three core dimensions of compensation fairness: external, internal, and individual fairness. External fairness refers to the absence of platform commission cuts and the ability to adjust fares based on market segments. Internal fairness reflects the perception of more transparent, balanced operations in the non-platform system. Individual fairness highlights the belief that income from tourist taxis is sufficient to meet personal and family needs. Additional factors such as guest relationships, work comfort, and professional pride also reinforce their preference to stay.

Quantitative results further confirmed that compensation fairness significantly affects switching intention. Multiple regression analysis showed that external, internal, and individual fairness together explain 90.7% of the variation in switching intention (Adjusted $R^2 = 0.907$). Each variable had a significant

individual effect, with individual fairness having the strongest influence. This suggests that drivers' personal evaluation of compensation adequacy is the most decisive factor in their intention to move away from online platforms.

Building on these findings, this study proposes a practical framework called the Compensation Fairness Applied Model (CFAM). The model was initially developed by the researcher and later refined through Focus Group Discussions with senior drivers and cooperative representatives. CFAM is designed to support drivers' transition by addressing the three dimensions of fairness through cooperative-based initiatives.

The model includes external efforts such as advocating for formal tourist taxi regulations and building partnerships with tourism businesses. Internally, it encourages platforms to implement fairer incentive systems and grievance channels. On the individual level, CFAM promotes income guarantees and financial literacy to ensure driver welfare. These efforts aim to increase switching intention while maintaining cooperative affiliation and support.

As a conclusion, this study confirms that compensation fairness is a critical determinant in occupational decision-making among online taxi drivers in Bali. By combining empirical findings with a community-based solution, the CFAM offers both theoretical and practical contributions to the development of fair and sustainable transportation alternatives in the tourism sector.

6.2 Reccomendation

Based on the findings and conclusions of this study, several strategic recommendations are proposed to various stakeholders, including online

transportation platform operators, tourist taxi cooperatives, and the government as policymakers.

First, online transportation platform operators are advised to conduct a comprehensive evaluation of the compensation system in place. Aspects such as commission deductions, incentive systems, and transparency in order distribution should be improved to ensure that drivers feel valued and are encouraged to remain loyal within the digital platform ecosystem.

Second, local government and related agencies need to strengthen the role of cooperatives like KSU Sedana Murti by providing support such as tourism-oriented service training, digital promotion, and access to capital. Cooperatives have the potential to serve as alternative institutions capable of competing in a healthy and sustainable manner amid the dominance of app-based transportation.

Third, the development of a hybrid transportation model that combines local wisdom with the use of digital technology should be encouraged. This model can be realized through an internal cooperative application or a community platform that prioritizes fairness and transparency.

Fourth, improving digital literacy for tourist taxi drivers is crucial. Training in the use of social media, digital navigation, and online account management can expand their market reach and increase drivers' competitiveness in the era of globalization.

Next, the government should take a more active role in creating regulations that favor driver welfare in both the online and conventional sectors. Fair policies regarding commission deductions, protection of working hours, and formal

recognition of community-based tourist taxis as part of the official tourism transportation system should be developed in an integrated manner.

In addition, digital promotional support from the government through official tourism catalogs, tourism events, and local applications can help broaden the presence of tourist taxi drivers in an increasingly competitive market. The government is also expected to provide supporting infrastructure and designated tourist transportation zones accessible to tourist taxi drivers as a form of support for the local transportation ecosystem.

Finally, given that there remain variations in switching intentions that are not fully explained by the dimensions of compensation fairness, it is recommended that further studies be conducted to examine other psychosocial and structural factors. Factors such as family pressure, job security, and social values and work professionalism could potentially contribute significantly to understanding the complexity of drivers' career decisions in the digital economy era. Such a multidimensional approach will enrich the understanding of the dynamics of switching intentions and strengthen the foundation for formulating policies that are more contextually relevant.

Theoretically, this study contributes to the development of literature on compensation fairness and switching intention in the context of digital tourism, particularly within the sharing economy ecosystem. Practically, the findings provide valuable field experience for student researchers and offer data and insights for educational institutions such as Bali State Polytechnic (Politeknik Negeri Bali) to develop curricula that are more responsive to industry changes. For the

government and industry players, this research serves as an important reference in formulating policies and business strategies that are more fair, adaptive, and sustainable.



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