AGUS RIYANTO. Policy Model Design for Outsourcing with Perspective of Industrial Relations System. Supervised by ERIYATNO, BOMER PASARIBU, and AGUS MAULANA.

Implementation of outsourcing policies and temporary working contract system (PKWT) give lots of institutional consequences that have impact on organizational structure and personnel changes. Personal and organizational unbalanced relationship could become potential conflict for industrial relations system. This condition is due to misguided implementation of PKWT systems and outsourcing policy that does not conform to statutory provisions, in particular Law No. 13 year 2003. Those irregularities occurred because of: (1) company did not classify core and noncore business, (2) outsourced workers and contract workers were not included in social security program, (3) for outsourcing workers no job guarantee, assurance careers, and employment continuity, and (4) the job contractor company (PPK) and the employment service provider company (PPJP) pay wages lower than regional wage standard (UMK).

Irregularities and controversies in outsourcing policy implementation could enhance conflict of interest between workers and management. The workers interest to improve their life quality and well-being are contradictory with the company interest to increase profits and business progress. Less harmonious organizational communication and emergence of distrust between workers and management to reach agreement and alignment, lead to protests and strikes carried out by workers. Furthermore, supervision and guidance from the local government has not been effective yet.

This research objective is to design outsourcing policy model through harmonizing industrial relations system in order to improve welfare of workers and to produce conducive business climate for the industry.

This study used systems approach through the System of Systems Methodology (SOSM) with various activities stages including: field observations, in-depth interview, focus group discussions and expert’s survey. System analysis used Business Process Management (BPM), CATWOE, Analytical Network Process (ANP), and Strategic Assumption Surfacing and Testing (SAST). Design of conceptual model were conducted through logical thinking process and face validity. The flexicurity concept was applied to generate conceptual model for implementation of comprehensive policy.

Study found that non-compliance policy analysis of tripartite participation in implementing the existing legislation make difficulties to achieve the objectives of Industrial Relations Trilogy which are welfare, safety and sustainability. In strategic managerial level, it requires government decrees that can provide guidance to build harmonious partnership between all elements involved in the implementation of the outsourcing policy. In tactical managerial level, it needs company’s effort to create open recruitment mechanism and workers development, including fair and lifelong social guarantee. The operational level should developed fairness policy related to distribution mechanism of expressing aspirations, employment status, wage system, and compensation.
Bipartite and tripartite negotiations should be implemented through the principle of consensus and mutual trust to build common roles for organization's governance guidance. The agreement stated in the Collective Bargaining Agreement (CBA) must be followed diligently by companies and workers. A clear functions and role for the institutions development must be stated to synergize industrial relations system.

The comprehensive policy model could be supported by strategic assumptions as success guarantee for policy, namely: monitoring and enforcement practices, information network and databases, existence of bipartite cooperation institutional, negotiations in conflict resolution and understanding of the industrial relations system for pre-employment and workers.

This research produced conceptual model for Institutional Integration of Outsourcing Policy Model (MIKKO) which provide holistic functions and role of institutions as industrial relation synergetic to achieve collective advantages of harmonious industrial relations system. The second model is the Integration Management of Outsourcing Policy Model (MIMKO) to perform comprehensive management outsourcing system involving stakeholders in planning, supervision, guidance and enforcement to minimize conflict.

Both models focus on conflict prevention rather than repression, eliminating discriminatory phenomena that occur in the implementation of outsourcing practice today as consequence of flexibility labor market. Assessing direct labor market with concept of flexicurity system gives strategic flexibility to the company while still providing enough security to employees. The study recommended character education for stakeholders in the industrial relations system.

Implications model of outsourcing policy with industrial relations systems perspective require clear understanding of the relevant manpower regulation. Stakeholders have to build openness and intensive relation through communication, coordination, and work together to create synergy of industrial relation system trilogy.

Keywords: industrial relations, outsourcing, system of systems methodology, policy model