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KEY ACTORS IN THE DEVELOPMENT OF HARMONIOUS INDUSTRIAL RELATIONS IN INDONESIA

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Abstract

The manufacturing industry is one of the labour-intensive sectors whose performance affects national and regional economic conditions and is a contributor to gross domestic product in the last five years in Indonesia. Harmonious industrial relations climate conditions, changes in demographic aspects, the Covid-19 pandemic, social, political, economic, and cultural aspects that cannot be predicted, show the importance of adaptation to changes that will occur. The questionnaire was designed to obtain information derived from statements or disclosure of facts in the field with the opinions of 18 (eighteen) experts who are industrial relations stakeholders in Indonesia. The experts were asked for their willingness to be participants in the survey. The analysis tool used the Interpretative Structural Modelling (ISM) method. The results of the ISM analysis, as shown in the level/hierarchy of elements, indicate that there are two sub-elements that are key actors, namely company management and the ministry of manpower/government. The key actors in industrial relations play a role in improving welfare, job security, and sustainability for the development of harmonious industrial relations in Indonesia. Propose a conceptual model to be simulated further in future studies, especially in developing countries.

Keyword: industrial relations, qualitative, interpretative structural modelling, key actors of industrial relations, sustainability

INTRODUCTION

The current era of disruption in the world requires organizations to be more responsive, innovative, and adaptive. The era of disruption is a change that occurs along with the creation of innovations in the business world that can destroy the traditional system of an organization or company. There are many ways to analyse innovation disruption. Weeks (2015) mentions that the analysis of disruptive innovation can be done through technology (or innovation), industry, company, or company leadership. Therefore, in relation to the era of disruption, organizations need to apply business resilience in anticipating changes that are very likely to occur in the organization.

In the business world, Denyer (2017) says that it takes business resilience to respond to disruptions as a positive adaptation in the face of challenging conditions, developing opportunities, and creating continuous improvement in performance. Therefore, resilience needs to be identified early by an organization or company as a competitive strategy in the face of changes that can occur. Fiksel (2015) also mentions that in conducting business resilience, organizations or companies need to show changes in outlook, perspective, and thinking, so companies can learn to thrive in changes that occur even in turbulent situations.

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Business resilience is an evolutionary process in which organizations respond to external changes in the environment by deploying resources (McCarty et al., 2017). In this case, the level of resilience will be determined by how well the actions and interactions of mutual influence between the political, economic, and social environment can protect economic performance measured against social and post-crisis goal functions. In this case, industries that have resilience are industries that are still able to produce and sell their products and are able to simultaneously maintain their workforce in the midst of a pandemic.

During the pandemic, the government has continued to provide support through policies and incentives aimed at helping affected industries to survive and recover. The enactment of the Job Creation Law No. 11 of 2020 and incentives in the form of tax breaks borne by the government are various policies aimed at helping entrepreneurs in Indonesia to face and get through the difficult times caused by the Covid-19 pandemic. The industrial relations climate is very dynamic with changing employee demographics. Jha & Singh (2019) explain that a positive industrial relations climate will lead to a more cooperative relationship between management and employees which further leads to a variety of positive related outcomes such as job performance, constructive behavior, and employee and organizational commitment. Chae (2019) has shown that a collaborative industrial relations climate has a positive impact on profits and sales. A conducive environment in the workplace has a positive impact on organizational performance (Zhou L, Li M. 2015).

To achieve such harmonious industrial relations, it is necessary to have industrial peace as an intermediate goal. Increased productivity and corporate welfare are interrelated. Organizations that ignore the importance of industrial relations face high production costs and will adversely affect efficiency, low production, and negligence in the performance of work. Employee absenteeism and high labour turnover rates are the resultant outcomes of poor industrial relations practices (Solomon 2019).

The manufacturing industry is one of the labour-intensive sectors whose performance affects national and regional economic conditions and is a contributor to gross domestic product in the last five years in Indonesia. Harmonious industrial relations, climate conditions, changes in demographic aspects, the Covid-19 pandemic, social, political, economic, and cultural aspects that cannot be predicted, show the importance of adaptation to changes that will occur. Industrial relations disputes are detrimental to all stakeholders, for organizations the impact can be in the form of loss of income, damage to company assets and sometimes can cause fatalities (Waweru, 2021).

The harmonious industrial relations model established in the manufacturing industry in Indonesia needs to be aligned with future conditions. Strategic planning is needed to ensure the development of harmonious industrial relations. Previous research on social dialog (Prins et al., 2020), employee voice (Pyman et.al, 2020), perceived work-management relations (Wan et.al., 1997), therefore an effort is needed to find out who are the key actors who play a role in the development of harmonious industrial relations in Indonesia.

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RESEARCH METHODS

Research design

The questionnaire was designed to obtain information derived from statements or disclosure of facts in the field with expert opinions. Experts were asked for their willingness to be participants in the survey. Open-ended questions were asked about the participants' opinions on the current picture of industrial relations in Indonesia, experts' suggestions for the implementation of harmonious industrial relations in Indonesia.

Participant

Data were collected through questionnaires and interviews with experts through expert judgment. Expert respondents who will be involved in this research come from business actors (industrial relations experts, employers, human resource managers, employers' association administrators, trade union administrators, trade union members, and employees), academics, government, media, industrial relations practitioners who are the main actors in industrial relations. The study of industrial relations focuses on the key participants involved in the process, they are management, labour, and government (Katz, Harry Charles. 2004).

Analysis

This research uses Fuzzy Interpretative Structural Modelling (ISM), a method with an analytical approach. Fuzzy Interpretative Structural Modelling (Fuzzy ISM), is a well-established defined method, to organize and structure the interrelationships of factors related to a given problem. The elements and sub-elements in the ISM questionnaire were obtained from discussions with experts, including industrial relations experts, employers, human resource managers, employers' association officials, trade union officials, trade union members, employees), academics, government, media, industrial relations practitioners. The result of the ISM analysis is the positioning of the sub-elements in the four quadrants of the diagram and the ranking based on follow-up priorities.

The research was conducted in Indonesia. In this research, primary data were collected using a questionnaire instrument with respondents who are stakeholders in the field of industrial relations in Indonesia. Respondent experts in this study represent stakeholders in industrial relations in Indonesia. Secondary data were obtained from reports and documents related to industrial relations in Indonesia. The Interpretative Structural modelling (ISM) approach is used to analyse the influential actors in developing harmonious industrial relations in Indonesia. The method invented by Warfield (1974) allows the development of a map relationship between the various elements/sub-elements involved in a complex situation. The relationship between elements/sub-elements is depicted in four symbols, namely V, A, X, O. Each of these symbols has a meaning, namely:

V when sub-element 1 affects sub-element 2, but not vice versa A when sub-element 2 affects sub-element 1, but not vice versa X when sub-element 1 and sub-element 2 affect each other O when sub-element 1 and sub-element 2 do not affect each other

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RESULTS AND DISCUSSION

Institutional Elements /Stakeholders

Table 1: Code Description of Sub-elements

Code	Sub-Elements
A1	Management
A2	Employers' Association
A3	Employees
A4	Trade Union
A5	Ministry of Manpower
A6	Provincial Manpower Agency
A7	Regency/City Manpower Agency
A8	Industrial Relations Expert / HI Lawyer
A9	Industrial Relations Court
A10	BPJS Employment
A11	Academics
A12	Community

The results of the assessment or opinion of respondents (expert judgment) related to the contextual relationship of the 12 (twelve) policy sub-elements obtained the aggregated value of the expert's opinion which is then arranged in the form of an SSIM (Structural Self-Interaction Matrix) matrix as follows:

Table 2: Structural Self-Interaction Matrix (SSIM)

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12
A1		V	V	X	A	A	A	V	A	X	X	O
A2			X	X	X	X	X	V	X	X	V	O
A3				A	A	A	A	V	A	X	X	V
A4					A	X	X	V	A	X	X	O
A5						V	V	V	V	V	V	X
A6							V	V	X	X	V	X
A7								X	X	X	O	X
A8									X	O	X	O
A9										O	O	O
A10											O	X
A11												X
A12												

Furthermore, the aggregated value of the expert opinion, which has been compiled in the SSIM (Structural Self-Interaction Matrix) matrix, is converted into a reachibility matrix (RM) or binary matrix, as follows:

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Table 3: Initial Reachability Matrix

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12
A1	1	1	1	1	0	0	0	1	0	1	1	0
A2	0	1	1	0	0	0	0	1	0	1	1	1
A3	0	1	1	0	0	0	0	1	0	1	1	1
A4	1	1	1	1	0	1	1	1	0	1	1	0
A5	1	1	1	1	1	1	1	1	1	1	1	1
A6	1	1	1	1	0	1	1	1	1	1	1	1
A7	1	1	1	1	0	0	1	1	1	1	0	1
A8	0	0	0	0	0	0	1	1	1	0	1	0
A9	1	1	1	1	0	1	1	1	1	0	0	0
A10	1	1	1	1	0	1	1	0	0	1	0	1
A11	1	0	1	1	0	0	0	0	1	0	1	1
A12	0	0	0	0	1	1	1	0	0	1	1	1

The reachability matrix is the initial reachability matrix which is then corrected or tested for consistency using transitivity laws or rules. The laws of transitivity relates to the consistency of respondents' preferences in providing assessments, for example; respondents assess that "element-A1" is more than "element-A2" and "element-A2" is more than "element-A3", thus the consistency of preference is "element-A1" more than "element-A3". According to Marimin (2008), transitivity rules are the completeness of the causal loop. Meanwhile, according to Yusuf et al (2020), transitivity rules or transitivity laws are an attempt to assess the consistency of respondents' opinions/assessments (expert judgment). Examination with transitivity rules is focused on cells whose value is 0 (zero). The results of checking with the transitivity rules will obtain the final reachability matrix which is a revised matrix of the initial reachability matrix (RM), as follows:

Table 4: Final Reachability Matrix

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12
A1	1	1	1	1	1	1	1	1	1	1	1	1
A2	0	1	1	1	1	1	1	1	1	1	1	1
A3	0	1	1	0	0	0	0	1	1	1	1	1
A4	1	1	1	1	0	1	1	1	1	1	1	1
A5	1	1	1	1	1	1	1	1	1	1	1	1
A6	1	1	1	1	0	1	1	1	1	1	1	1
A7	1	1	1	1	0	0	1	1	1	1	1	1
A8	0	0	0	0	0	1	1	1	1	0	1	1
A9	1	1	1	1	0	1	1	1	1	0	0	0
A10	1	1	1	1	0	1	1	0	0	1	0	1
A11	1	0	1	1	0	0	0	1	0	0	1	1
A12	0	0	0	0	1	1	1	0	0	1	1	1

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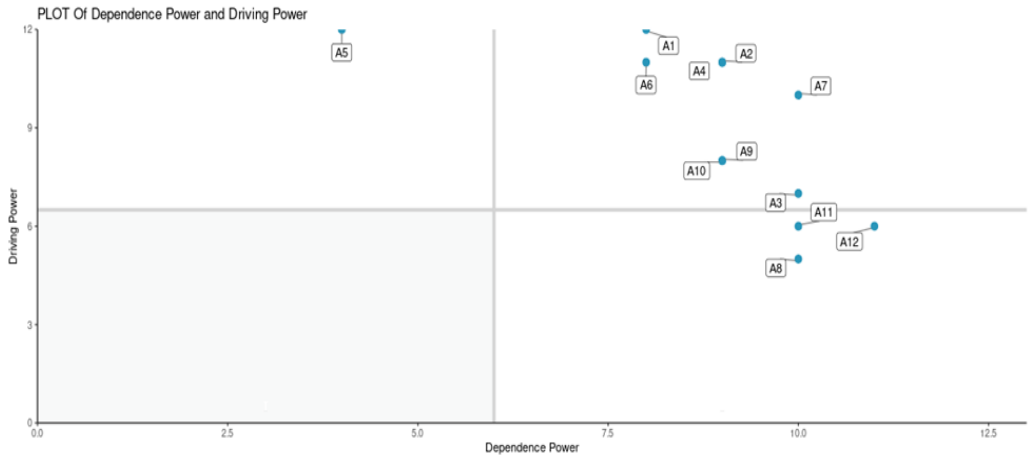
After checking with the transitivity law, a final reachability matrix is obtained whose value is acceptable and meets consistent preferences. The final reachability matrix is then the basis for calculating the driven power and dependence of the elements studied, as follows:

Table 5: Calculation Results of Driven Power and Dependence

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12	DP	RANK
A1	1	1	1	1	1	1	1	1	1	1	1	1	12	1
A2	0	1	1	1	1	1	1	1	1	1	1	1	11	2
A3	0	1	1	0	0	0	0	1	1	1	1	1	7	5
A4	1	1	1	1	0	1	1	1	1	1	1	1	11	2
A5	1	1	1	1	1	1	1	1	1	1	1	1	12	1
A6	1	1	1	1	0	1	1	1	1	1	1	1	11	2
A7	1	1	1	1	0	0	1	1	1	1	1	1	10	3
A8	0	0	0	0	0	1	1	1	1	0	1	1	5	7
A9	1	1	1	1	0	1	1	1	1	0	0	0	8	4
A10	1	1	1	1	0	1	1	0	0	1	0	1	8	4
A11	1	0	1	1	0	0	0	1	0	0	1	1	6	6
A12	0	0	0	0	1	1	1	0	0	1	1	1	6	6
D	8	9	10	9	4	8	10	10	9	9	10	11		
Level	4	3	2	3	5	4	2	2	3	3	2	1		

The driven power value is obtained from the sum of the final reachability matrix values horizontally, and the dependence value is the sum vertically. Furthermore, the dependence and driven power values become the ordination for determining the position of elements in the ISM quadrant, where the dependence value becomes the value on the X-axis and the driven power value becomes the value on the Y-axis. The ordination position obtained is then depicted in the form of graphs and levels as follows:



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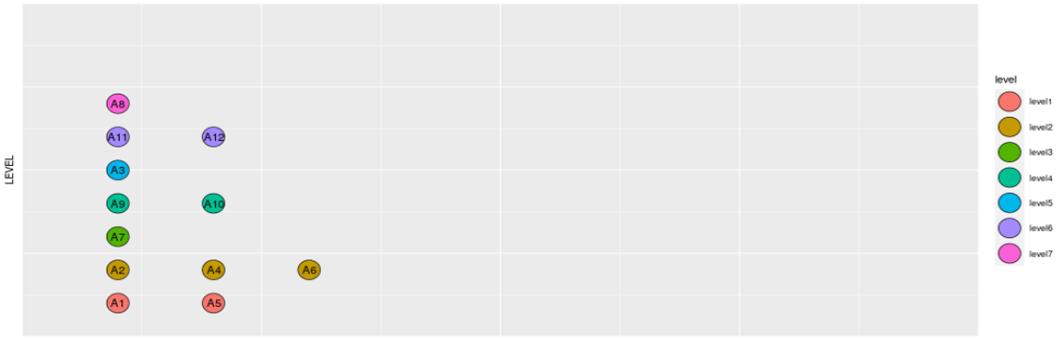
Position of Sub-elements in ISM Quadrants Based on the ISM quadrants, it appears that the sub-elements are spread across 3 (three) quadrants, namely quadrant II, quadrant III, and quadrant VI. This shows that the relationship between institutions/stakeholders is very dynamic. The Ministry of Manpower/Government (A5) is in quadrant IV which is a quadrant that has a relatively high influence (dominant) compared to the level of dependence. Conversely, the elements in quadrant II, which include; Industrial Relations Experts/HI Lawyer (A8), Academics (A11), and the Community (A12), have a relatively high level of dependence (dominant) compared to their influence. While actors/stakeholders in quadrant III are more sensitive, where the level of dependence and influence is equally high. The positioning of all these actor elements gives meaning to strategic policies that can be taken in future management/development. Hence, it is important to know the key actors that are expected to be driven variables in the management of harmonious industrial relations in Indonesia.

Figure 2: Sub-element hierarchy/levels



In Figure 2, we can see the results of the ISM analysis as shown in the level/hierarchy of elements, it is found that there are two elements that are key actors, namely; A1 (Company Management) and A5 (Ministry of Manpower/Government). These two elements are the key elements in the development of harmonious industrial relations in Indonesia.

DISCUSSION

The definition of industrial association based on Article 1 number 16 of Law Number 13 of 2003 concerning Manpower ("Labour Law") is a system of relations in the form of between actors in the process of producing goods and/or services consisting of elements of entrepreneurs, workers/labour, and government based on the values of Pancasila and the 1945 Constitution of the Republic of Indonesia. The industrial relations climate (IR) of an organization is an overall measure of how labour-management relations are. It is part of Human Resources strategic approach. Human Resources policies in the organization is understood to influence company performance (Sunahwati et al., 2019).

Based on the ISM results related to the condition of Industrial Relations (IR) in Indonesia. In general, industrial relations stakeholders in Indonesia assess that there are improvements in the

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implementation of industrial relations in Indonesia, although there are still shortcomings that must continue to be improved in the future. In general, it is expected that the government, employers and workers need to master competencies on harmonious industrial relations, so they have the same perception and can reduce the occurrence of industrial relations disputes. The condition of industrial relations climate in Indonesia was mostly positive and revealed that current condition in various industries in Indonesia, the rate of top management was quite involved (Faisal, M.,et al.,2022).

From the perspective of the Ministry of Manpower/Government, they view that there is still a need for improvement and socialization to businesses to provide a deeper understanding of the strategic aspects of harmonious industrial relations in companies that will contribute to harmonious industrial relations in Indonesia. Overall, the Ministry of Manpower/Government considers that the current condition of industrial relations in Indonesia is relatively more conducive and attractive for investors to invest in Indonesia, especially after the issuance of the Job Creation Law No. 11 of 2020 and its derivative government regulations. Legal certainty is needed related to labour regulations, so as to minimize the occurrence of lawsuits against labour regulations. Issues related to Industrial Relations will be more dynamic in the future, especially since Indonesia has a demographic bonus, where the productive age (15-64 years) will contribute 63 percent of the total population of Indonesia in 2030.

From the point of view of Industrial Relations experts, they still see that the condition of industrial relations in Indonesia still needs a lot of improvement. They consider that there is still a lack of functioning of industrial relations facilities in the form of the Bipartite Cooperation Institution (LKS). This Bipartite Cooperation Institution (LKS) functions as a communication bridge between employees and the company. The ineffectiveness of the Bipartite Cooperation Institution (LKS) has led to various industrial relations problems that cannot be prevented before they occur, such as work strikes or employee demonstrations. The government is also considered to be lacking in providing education to employers regarding the importance of the existence of industrial relations facilities at the company and national levels.

From the perspective of employers' associations, they consider that industrial relations in Indonesia have improved over the years. Even though there are still various things that still need to be improved. Overall, employers welcome the enactment of the Job Creation Law No. 11 of 2020, they consider this regulation provides a positive development in favor of business actors. The employers' association also recognizes that it is necessary to harmonize the perspective between the Government, Employers, and Workers in viewing industrial relations and various industrial relations issues in Indonesia.

From the point of view of company management as one of the main players in industrial relations, the views tend to be diverse. They recognize that the Job Creation Law and its derivative regulations governing employment provide better guidance in investing in Indonesia. The determination of the Regency/City Minimum Wage (UMK/UMSK) is a better process and employers are required to provide data on the structure of the wage scale to the local Manpower Agency. Employers can understand that employees and labor unions are certainly not fully satisfied with the various regulations set by the Government.

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From the perspective of Trade Unions, there are many criticisms regarding the regulation and implementation of industrial relations in Indonesia. Trade Unions, of course, will maintain their critical nature towards the Government and Employers as employers. Various regulations related to employment will always be criticized, and this is also the case with the Job Creation Law No. 11 of 2020 and derivative regulations such as Government Regulation No. 34 of 2021, Government Regulation No. 35 of 2021, and Government Regulation No. 36 of 2021 which are considered to be more in favor of employers. The Trade Union considers that these regulations tend to harm workers. From the perspective of industrial relations law practitioners, the condition of industrial relations is still dominated by the role of the government, which tends not to be balanced in defending the interests of workers, especially coupled with the issuance of the Job Creation Law which further strengthens the position of employers and investors.

From the perspective of the BPJS Employment, the current condition of industrial relations in Indonesia tends to improve compared to the previous few years, where both workers and labour unions have become smarter in demanding what they are entitled to, but also remain balanced with productivity. Most employers and employers' associations also fulfill their obligations to workers. BPJS Employment has an optimistic perception of the future of Industrial Relations in Indonesia because it is accompanied by increased understanding of workers and employers.

From an academic perspective, industrial relations in Indonesia are still considered less harmonious because labor regulations still tend to defend the interests of employers, in addition to the dominant orientation of employers towards company profits. Academics also highlight the aspect of trust between workers and employers that has not been fully established. Academics also highlight employers who are only limited to fulfilling obligations related to employment, without being accompanied by seriousness to build harmonious industrial relations between companies, workers and the government.

CONCLUSIONS AND RECOMMENDATIONS

This study presents the collaboration between the ISM analysis and expert opinions on the current state of industrial relations in Indonesia has resulted in the following conclusions: For the ISM level/hierarchy of elements, there are two elements that are key actors; A1 (Company Management) and A5 (Ministry of Manpower/Government). These two elements are the key elements in the development of harmonious industrial relations in Indonesia. To achieve harmonious industrial relations in Indonesia, according to experts, what must be done are: The government should play a greater role in bridging communication between employers and workers and encourage capacity building, such as by organizing workshops, seminars or training, so employers and workers can better understand how Industrial Relations should be addressed.

The need to increase the frequency of communication between employers' associations and trade union forums, and at the micro level, increase the intensity of communication between employers and workers in companies.

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The culture of negotiation or deliberation must become part of the corporate culture, so when a dispute occurs in Industrial Relations, it does not immediately take the litigation route.

The government, employers, and workers need to master competencies on harmonious industrial relations, so they have the same perception and can reduce the occurrence of industrial relations disputes.

Employers also need to pay attention to capacity building for Trade Union leaders in their companies, so their personal development needs are considered. This will further dilute the tension and prejudice between the two parties, therefore good communication between companies and trade unions is formed.

Employers also need to pay attention to capacity building for units that manage HR, so they are increasingly mastering the material for resolving Industrial Relations disputes; Clarity and fairness in the minimum wage formulation scheme must continue to be pursued through the establishment of regulations.

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