

BUSINESS SCENARIO AND STRATEGIES FOR THE DEVELOPMENT OF HARMONIOUS INDUSTRIAL RELATIONS IN INDONESIA

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Abstract

The year 2022 that is coming to an end has been characterized by several major events that have impacted the business world, in Indonesia and even globally. The COVID-19 pandemic has almost made all business sectors in Indonesia and even the world experience turbulence. The business world is experiencing faster turbulence characterized by many companies closing down, increasing the intensity of business competition, rapid market changes, and a turbulent industrial relations climate. The manufacturing industry in Indonesia is one of the largest contributors to gross domestic product (GDP) in the last five years. The manufacturing industry, which is one of the sectors that opens up a large number of job opportunities, is expected to be the government's mainstay in overcoming unemployment, especially in welcoming the momentum of the demographic bonus. This research design is inferential quantitative, using sampling and snowball methods and expert respondents with a sample size of 424. The collected data were analyzed using Structural Equation Model (SEM) using LISREL version 8.70, Fuzzy Interpretative Structural Modeling (Fuzzy ISM), and scenario planning. The results show that the industrial relations climate, industrial relations facilities, affects organizational performance. The results of the business scenario analysis for the development of harmonious industrial relations in Indonesia show four scenarios, namely optimistic, semi-optimistic, semi-pessimistic, and pessimistic scenarios where government policies in the form of labor policies and the existence of industrial relations instruments in the form of collective labor agreements (CLAs). These two are the most influential driving forces for the development of harmonious industrial relations in Indonesia because they are considered to have a large impact with high uncertainty (difficult to predict).

Keywords: Industrial Relations, Business Scenario, Industrial Relations Strategy, Key Actors of Industrial Relations

Introduction

An overview of the current condition of Industrial Relations (IR) in Indonesia according to industrial relations stakeholders, the industrial relations climate has improved in its implementation although there are still shortcomings that must continue to be improved in the future (Faisal, M.; Maarif, M.S.; Fahmi, I.; Yulianto, 2022). The industrial relations climate is very dynamic with changes in demographic, COVID-19 pandemic, social, political, economic, and cultural aspects that cannot be predicted, showing the importance of adaptation to changes that will occur (Faisal, M.; Maarif, M.S.; Fahmi, I.; Yulianto, 2022). 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. Harmonious industrial relations models and strategies established in the manufacturing industry in Indonesia need to be aligned with future conditions. Strategic planning can be simulated in the form of scenarios to get a picture of future industrial relations

conditions. Previous studies on social dialog (Prins et al., 2020), employee voice (Pyman et.al, 2020), perceived work-management relations (Wan et.al., 1997) are valuable insights into the grievances of key actors in industrial relations. On the other hand, if these can be synergized, it will improve organizational sustainability (Desiana, P.M. et al. 2022).

Today's term screenplay is not only used for the field of art or theater but has been institutionalized and used to develop the business sector and the public sector. Schwartz (1991) defines scenarios as a tool used to collect and communicate one's views/perceptions of possible future options in accordance with the decisions taken. According to Budiawan (2018), a scenario is a consistent description of various possibilities (circumstances) that could occur in the future. Scenarios emerged in response to increasing complexity and uncertainty (Kancana 2011). Uncertainty as the ignorance of what factors and trends will occur. Scenarios are constructed images of the future based on the drivers and trends that shape the future. Knowledge of the past is relevant to knowledge of the future, as past events are related to the present and future.

Business scenarios are used to formulate conditions and alternative policies for future industrial relations development. The business scenario in this research uses a scenario planning approach. According to Lindgren and Bandhold (2003), scenario planning is an effective strategic planning tool to be applied in medium and long-term planning under uncertain conditions. Business scenarios help establish businesses' perceptions of alternative future industrial relations developments in accordance with the conditions and challenges faced today. Business scenarios are used by businesses to understand their business environment, think about what will happen to their business environment, and act on the basis of the new knowledge. The preparation of business scenarios in this research follows the steps in scenario planning. The framework used in developing scenario planning projects for public and private organizations according to Lindgren and Bandhold (2003) is the stages of tracking, analyzing, imaging, deciding, and acting.

The formulation of strategies for the development of harmonious industrial relations in Indonesia is the development of a long-term plan based on comprehensive analysis. Based on the SEM (Structural Equation Modeling) data used for the analysis of the causality model and to test the hypothesis of the relationship between the variables in this research as well as the Fuzzy Interpretative Structural Modeling (Fuzzy ISM) approach in analyzing the influential actors in the development of industrial relations, the researchers formulated a business scenario for the development of harmonious industrial relations in Indonesia. As a complement, the researchers also considered the inputs of industrial relations experts who were respondents in the research.

Methodology

Research design

This research uses inferential quantitative analysis by proving several hypotheses. The types of data used are primary data and secondary data. Primary data were obtained from the results

of an online questionnaire and interviews and discussions with experts from stakeholders in industrial relations in Indonesia. Secondary data were obtained from reports and documents related to industrial relations in Indonesia, public publications, and supporting data obtained from literature studies, mass media, and the internet. 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 description of industrial relations in Indonesia and the experts' suggestions for the implementation of harmonious industrial relations in Indonesia.

Participant

This research involved 424 respondents from 224 manufacturing companies in Indonesia. This number is an accumulation of 406 respondents and 18 expert respondents who are industrial relations stakeholders in Indonesia. Data were collected through questionnaires and interviews with experts through expert judgment. The expert respondents to 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.

Analysis

Previous studies conducted by the researchers provide empirical evidence of the importance of industrial relations climate in achieving organizational performance (Faisal, M.; Maarif, M.S.; Fahmi, I.; Yulianto, 2022). Data processing and analysis in accordance with the research objectives are interrelated and complementary. This research uses descriptive analysis, Structural Equation Modeling (SEM), Fuzzy Interpretative Structural Modeling (ISM), and Scenario Planning. SEM analysis aims to test statistical models which are usually in the form of causal models. SEM analysis is an analysis based on Confirmatory Factor Analysis (CFA), a method that combines correlation analysis, regression analysis, cross analysis, and factor analysis (Hair et al. 2019). The suitability of the SEM model follows the goodness of fit test model). An overview of the future can be seen through the scenario planning method. The steps of the strategic planning method use TAIDA scenario planning (Lindgren & Bandhold 2003) with the stages of tracking, analyzing, imaging, deciding, and acting. The formulation of appropriate strategies for the development of harmonious industrial relations in Indonesia is a combined process of the results of SEM analysis, ISM analysis, and scenario planning results as well as a summary of the opinions of industrial relations experts in Indonesia who were respondents in this research.

Result

1. Tracking

Tracking aims to discover trends, driving forces as well as uncertainties that need to be considered in the scenario building process, knowing the resulting effects on questions about the future. The main purpose of this step is to track, trace, and describe.

From the results of tracking industrial relations changes and signs from the surrounding environment that illustrate the changing trends that have an impact on the creation of harmonious industrial relations in Indonesia. Some phenomena related to the climate of industrial relations in Indonesia are as follows:

- a. The enactment of the Job Creation Law (Ciptaker Law) which was signed by President Jokowi on November 2, 2020 and officially became Law No. 11 of 2020 and has been equipped with Government Regulations (PP) as its implementing regulations. Since the process of the draft law, the passing of the law until now, labor demonstrations protesting the enactment of this law have continued to occur. Government policy on employment in Indonesia is also an important factor in creating a harmonious connection industry in Indonesia (Faisal, M.; Maarif, M.S.; Fahmi, I.; Yulianto, 2022).
- b. On November 25, 2021, the Constitutional Court through its decision in Case Number 91/PUU-XVIII/2020 declared the Job Creation Law conditionally unconstitutional, and ordered the suspension of all strategic and far-reaching policies related to the Job Creation Law. The court also prohibited the government from issuing all implementing regulations related to the regulation. This decision has made the industrial relations climate hot in Indonesia.
- c. Data on industrial relations disputes from 2017 to 2021 at the Karawang Regency Manpower and Transmigration Office are shown in the table below. Based on the trend of industrial relations disputes, industrial relations disputes that occur are evenly distributed across all categories of disputes ranging from rights disputes (184 cases), employment termination disputes (437 cases), disputes between trade unions (3 cases), strikes (21 cases) and demonstrations (31 cases). These inharmonious conditions are generally related to openness, respect and communication among stakeholders in industrial relations (Government, Management, Workers, Trade Unions, APINDO, Industrial Relations Lawyers, Society, Academics).
- d. Industrial Relations Facilities consisting of Company Regulations (PP), Collective Labor Agreements (CLA), Trade Unions (SP/SB), Bipartite Cooperation Institution, Tripartite Cooperation Institution, Employers' Organizations, Labor Laws, and Institutions for Settlement of Industrial Relations Disputes (PHI) as stipulated in Labor Law No. 13 of 2003 Article 103, in reality until now the availability has not been fulfilled, especially at the company level, so the potential for industrial relations disputes remains open. The better the industrial connection facilities, the better the climate for industrial connection.

Previous studies show that the better the perception of industrial relations climate, the better the organizational performance (Faisal, M.; Maarif, M.S.; Fahmi, I.; Yulianto, 2022).

- e. The changing demographics of workers also have the potential to affect the industrial relations climate in Indonesia. The current labor force is populated by several generations of workers, with millennials comprising the majority (25.87%), followed by Generation Z (27.94%), Generation X (21.88%), and baby boomers and veterans (11.56%).

Planning Scenario Changer Aspects of Harmonious Industrial Relations

Categories	Changer Aspects
Political	<ul style="list-style-type: none"> • Establishing employment policy • Providing employment services • Carrying out employment inspection • Taking action against violations of labor laws and regulations.
Industrial Relations Climate	<ul style="list-style-type: none"> • Respect • Communication • Harmony • Openness
Industrial Relations Facilities	<p>Based on Article 103, Law No. 13 of 2003 concerning Manpower, the Industrial Relations Facilities consists of:</p> <ul style="list-style-type: none"> • Company Regulations • Collective Labor Agreements (CLAs) • Trade Unions • Bipartite Cooperation Institution, Tripartite Cooperation Institution • Employers' Organizations, Labor Laws • Institutions for Settlement of Industrial Relations Disputes
Key Actors in Industrial Relations	<ul style="list-style-type: none"> • Government • Company Management • Trade Unions • APINDO • Industrial Relations Lawyers • Society • Academics.
Generation of Workers	<p>The current labor force is populated by several generations of workers:</p> <ul style="list-style-type: none"> • Millennials comprising the majority (25.87%) • Generation Z (27.94%) • Generation X (21.88%) • Baby boomers and veteran (11.56%).

2. Analysing

Once the tracking is done, the next step is to analyse the changes and generate scenarios. At this stage, the drivers are identified by understanding the trends that we have identified above. In the analysing step, changers are identified to understand how they relate to the trends that have been tracked. The trend categories that we identified in the previous stage will be the driving forces for other trends, which relationship is depicted in a causal loop. Causal loop is a causal circle to see the relationship between driving forces with each other. From here, we can determine the magnitude of the relationship of each driving force to the focal concern.

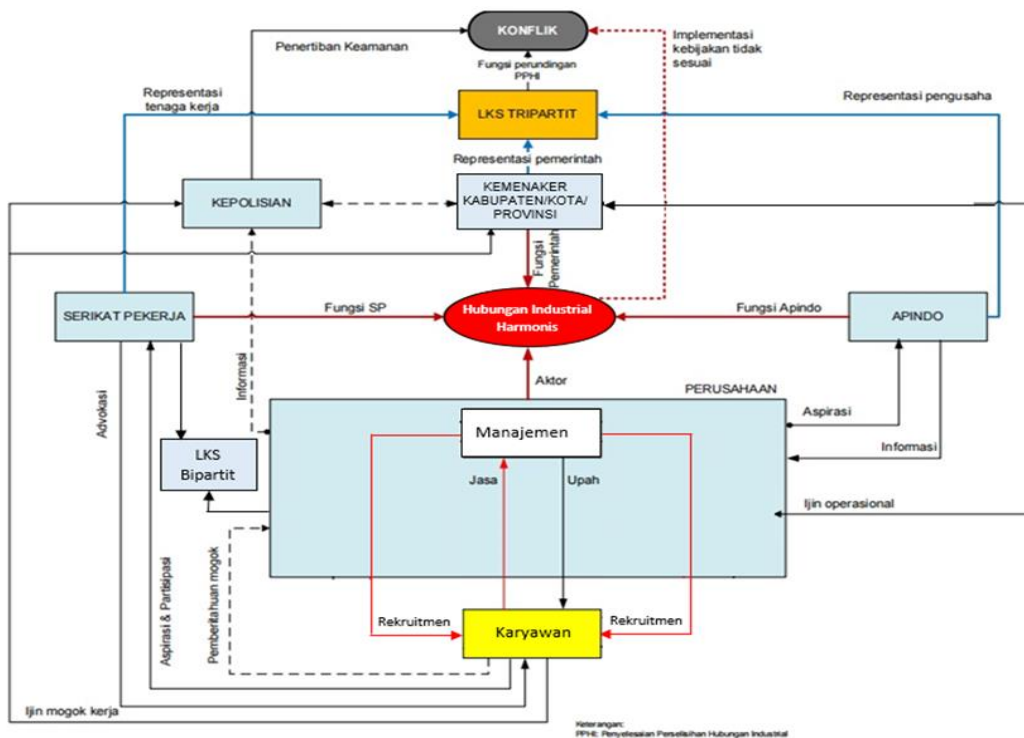
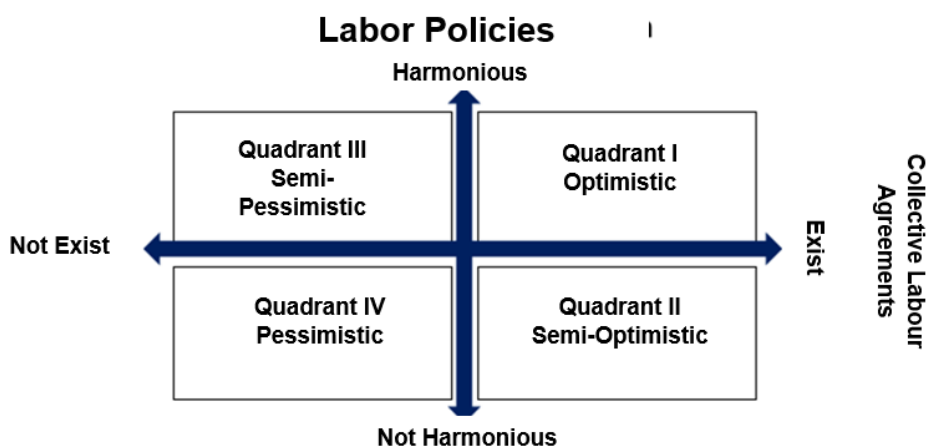


Figure Causal Loop Diagram of Harmonious Industrial Relations in Indonesia

Based on the description of the interrelationship of the above driving forces, it can be seen that the most influential driving forces for the development of harmonious industrial relations in Indonesia are labor policies and industrial relations facilities in the form of collective labor agreements (CLAs) in companies. Therefore, the description of the matrix of possible scenarios is as follows:



Scenario Matrices

Harmonious Industrial Relations Scenario	Implications
<p>Quadrant 1: Optimistic Government policies on labor are in line with the expectations of employers and workers. And the industrial relations facilities in the form of collective labor agreements exist in the company.</p>	<ul style="list-style-type: none"> • The industrial relations climate is harmonious, accordant, and in line between employers, workers, and the government. • Government policies on employment are acceptable to both employers and workers. • There exist industrial relations facility, especially collective labor agreements, and it is running well. • Communication between employees/tradeunions, employers and the government is well established. • Investments are growing and thriving. • The productivity of the company increases, and so does the welfare of employees. • State financial revenue from the tax side increases. • Unemployment is low as new jobs are available due to growing investment.
<p>Quadrant 2; Semi-Optimistic Government policies on labor are not in line with the expectations of employers and workers. There exist industrial relations facilities in companies in the form of collective labor agreements.</p>	<ul style="list-style-type: none"> • The industrial relations climate is less harmonious between employers, workers, and the government. • Government policies in labor are less acceptable to employers/workers, so there is a possibility of industrial relations disputes. • There exist industrial relations facilities, especially collective labor agreements, and they are running well. • The existence of CLA is a damper for dissatisfaction with labor policies that are not in line with the expectations of employers/workers. • Communication between employers and workers is well established with the existence of CLA as a guide. • The productivity of the company is expected to increase and hence the welfare of the employees. • State financial revenue from the tax side is expected to increase.

Harmonious Industrial Relations Scenario	Implications
	<ul style="list-style-type: none"> Investors are somewhat interested in seeing a good industrial relations climate at the company level, so investment will grow slightly.
<p>Quadrant 3; Semi-Pessimistic Government policies on labor are in line with the expectations of employers and workers, but industrial relations facilities in the form of collective labor agreements (CLAs) do not exist in companies.</p>	<ul style="list-style-type: none"> The industrial relations climate is harmonious, accordant, and in line between employers, workers, and the government because government policies in labor are acceptable to employers and workers. Industrial relations facilities, especially collective labor agreements, do not always exist at the company level. The existence of Company Regulations (PP) is expected to play a role in the event of an industrial relations dispute. Labor disputes that end in demonstrations by workers/unions still have the potential to occur.
<p>Quadrant 4: Pessimistic Government policies on labor are not in line with the expectations of employers and workers. And the industrial relations facility in the form of collective labor agreements does not exist.</p>	<ul style="list-style-type: none"> There is no harmonious, accordant, and in line industrial relations climate between the government, employers, and workers due to labor policies that are not in line between the government, employers, and workers. Industrial relations facilities are not functioning and there is a communication deadlock between workers/unions and employers. Industrial relations disputes that occur cause companies to not be able to operate optimally and results in low productivity. The company's profit decreases. Workers' welfare is stagnant/declining. State financial revenue from the tax side decreases. Investors are not interested in investing Unemployment is high because there are no new jobs available.

3. Imaging

After gathering reasonable and logical insights into the future state, it is time to create a description of what is desired. At this stage, possibilities are identified and a vision of what is expected is developed. The vision that is expected to occur is the realization of harmonious industrial relations in Indonesia.

4. Deciding

In this decisive stage, development areas and strategies to overcome threats while achieving the vision of developing harmonious industrial relations in Indonesia are identified.

Harmonious Industrial Relations Scenario	Implications	Strategies
<p>Quadrant 1: Optimistic Government policies on labor are in line with the expectations of employers and workers. And the industrial relations facilities in the form of collective labor agreements exist in the company.</p>	<ul style="list-style-type: none"> ● The industrial relations climate is harmonious, accordant, and in line between employers, workers, and the government. ● Government policies on employment are acceptable to both employers and workers. ● There exist industrial relations facilities, especially collective labor agreements, and they are running well. ● Communication between employees/tradeunions, employers and the government is well established. ● Investments are growing and thriving. ● The productivity of the company increases, and so does the welfare of employees. ● State financial revenue from the tax side increases. ● Unemployment is low as new jobs are available due to growing investment 	<ol style="list-style-type: none"> a. Ensuring that labor policies issued by the government are acceptable to employers and workers (adaptive) so as to encourage a harmonious industrial relations climate and improve the investment climate in Indonesia. b. Creating a harmonious industrial relations climate at the company level that will impact on increased work productivity, competitiveness and ultimately improve the welfare of workers, employers and the state. c. Ensuring the implementation of legal certainty that is fair to the implementation of laws and regulations in the field of labor. d. Ensuring industrial relations competency for industrial relations stakeholders in Indonesia with the provision of mandatory industrial relations competency certification for IR practitioners. e. Ensuring the existence of collective labor agreements (CLAs) at the company level as a facility of implementing industrial relations. f. Ensuring the existence and operation of the Bipartite Cooperation Institution in the company and the Tripartite Cooperation Institution with the government.

5. Acting

Acting is about taking action and following up. At this stage is the implementation of strategies in the development of harmonious industrial relations in Indonesia. The researchers recommend that the scenario of harmonious industrial relations in Indonesia be achieved by choosing the Optimistic scenario in Quadrant 1, namely government policies in employment

are in line with the expectations of employers and workers. Besides, industrial relations facilities in the form of collective labor agreements exist in the company.

Discussion

The formulation of a strategy to develop harmonious industrial relations in Indonesia is the development of a long-term plan based on comprehensive analysis. Based on the SEM (Structural Equation Modeling) data used for the analysis of the causality model and to test the hypothesis of the relationship between the variables in this research as well as the Fuzzy Interpretative Structural Modeling (Fuzzy ISM) approach in analyzing the influential actors in the development of industrial relations, the researchers formulated a business scenario for the development of harmonious industrial relations in Indonesia. As a complement, the researchers also considered the inputs of industrial relations experts who were respondents in the research.

Experts see that the development of harmonious industrial relations in Indonesia is still not running because of the following; government policies in employment are still not balanced in bridging the interests of employers and workers. For example, Law No.11/2020 is very pro-employer and the opposite of the previous labor law (Law No. 13/2003), which was considered pro-worker. The government still lacks a role in bridging communication between employers and workers and encouraging the improvement of the competence of the main actors of industrial relations in Indonesia. Clarity and fairness in the minimum wage formulation scheme must be improved. There is a need to increase the frequency of communication between employers' associations and trade union federations, and at the micro level between management and trade unions. There is still a lack of equitable distribution of information on industrial relations to all major industrial relations actors in Indonesia. The Bipartite Cooperation Institution is still not effective, so preventive efforts for industrial relations disputes have not been implemented. There is still no culture of negotiation or deliberation in the settlement of industrial relations disputes. Employers still need to pay attention to increasing capacity building for human resource managers in the company, so they are increasingly mastering the material for resolving industrial relations disputes. The Trade Union still does not encourage its members to prioritize work productivity before demanding their rights.

Based on the results of ISM, SEM, scenario planning and expert opinions above, the researchers endorse the following strategies for developing harmonious industrial relations in Indonesia:

1. The government issues policies in the labor sector that are harmonious and adaptive, so the industrial relations climate is harmonious and attracts investors to invest in Indonesia.
2. The government has a role in improving industrial relations competencies for industrial relations stakeholders in Indonesia, so industrial relations disputes can be avoided.
3. The government has a role to ensure legal certainty for business actors.

4. Creating a harmonious industrial relations climate at the company level, so that peace in business and work will be created and will have an impact on increasing work productivity, competitiveness and ultimately will improve the welfare of workers, employers, and the state.
5. The government, employers, and workers can participate in ensuring the existence of industrial relations facilities in the form of collective labor agreements (CLAs). The CLA is the most important industrial relations facility in the company and is a guideline in the implementation of industrial relations at the company level. This is consistent with previous studies that collective labor agreements are the most important industrial relations facilities in companies because they are guidelines in the implementation of industrial relations at the company level ((Faisal, M.; Maarif, M.S.; Fahmi, I.; Yulianto, 2022).
6. Creating a respectful, communicative and open relationship between workers and employers through bipartite cooperation institutions at the company level.
7. Creating a respectful, communicative and open relationship between the government, employers and workers through the forum of tripartite cooperation institutions.

Conclusion and Recommendation

Based on the results of ISM, SEM, scenario planning, and expert opinion above, the strategies for the development of harmonious industrial relations in Indonesia involves three key actors: workers, employers and the government through the Indonesian Ministry of Manpower. The most specific variables that must be prioritized are harmonized labor legislation policies and industrial relations facilities in the form of collective labor agreements (CLAs) at the company level. The results of the business scenario analysis for the development of harmonious industrial relations in Indonesia show four scenarios, namely optimistic, semi-optimistic, semi-pessimistic, and pessimistic scenarios where government policies in the form of labor policies and the existence of industrial relations facilities in the form of collective bargaining agreements (CBAs) become key driving forces because they are considered to have a large impact with high uncertainty (difficult to predict).

Harmonious government policies on employment are essential in creating a harmonious industrial relations climate in Indonesia. Collective labor agreement (CLA) is the most important industrial relations facility that serves as a guideline in the implementation of industrial relations at the company level. Communication between workers and employers in the forum of bipartite cooperation institutions is effective in preventing industrial relations disputes at the company level. Communication between workers, employers and government in the forum of tripartite cooperation institutions is effective in preventing industrial relations disputes at the regional and national levels. There is still uneven industrial relations competence among industrial relations stakeholders in Indonesia.

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