

Employment Rights Implementation and Industrial Relations Systems: The Case of the Outsourcing Policy in Banking Industry

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Abstract

Purpose: This research is intended to analyse outsourcing implementation in the banking industry, specifically whether banks have fulfilled obligations as required by the regulations, specifically on outsource workers' rights.

Methodology: This research uses combined approaches, quantitative and qualitative methods (Mixed Method), and using a sequential explanatory strategy. Respondents are; 351 outsourcing workers of 6 different bank categories in Indonesia (2 state owned banks, 2 private owned banks, and 2 foreign banks), union committee members, human resources senior managers, senior officers of Indonesia Financial Services Authority, Indonesia Chamber of Commerce, and Coordinating Ministry of Human Development and Cultural Affairs.

Research Findings: the research has resulted in providing proof that three bank categories have already implement workers' rights as required by the relevant labor regulations. Banks providing business and soft skill related training for workers, and to prioritize outsource workers to be banks' permanent worker. On the compliance aspects, regulators require banks to comply and implement regulations and policies as required

Keywords: outsourcing, industrial relations, and public policy

I. Introduction

Outsourcing is a sensitive subject in Indonesia, based on the views of manpower or employment implementations, and also from the public policy angle. There were some outsourcing implementation violations happened, including on the banking industry. In practice, not all banks implement employment aspects as required, including outsourcing arrangements. Breaches performed by some banks, either employment status or compensation, benefits or any other requirements. In 2008, there were outsource workers who assigned at the state-owned bank for more than 10 years but did not get their employment rights as required. In 2013 private-owned bank have Teller assigned in their branches works under an outsourcing arrangement. This practice is violating Bank Indonesia Decree (at the time) stated that Teller job must not be managed by outsourcing worker, because the job is categorized as the bank's main activity. Ministry of Manpower also has called 13 state-owned companies that allegedly violated the terms of employment in 2014 specifically on outsourcing implementation, where among those 13, there are 2 state-owned banks. In addition, there was an incident which demonstrates weak oversight of the foreign bank management towards outsourcing arrangement inside the bank. The incident happened in 2011 when Bank's debt collector (outsource worker) committed to conducting physical and psychological violence to clients, resulting in the death of the client.

Indonesia regulations on manpower or labor are stated in the Law No.13 Year 2003 which regulates all aspects of employment, including outsourcing arrangements. For outsourcing implementation guidelines, the Minister of Manpower has established Decree No.19 Year 2012 which defined more detail requirements on the outsourcing implementation. Specifically for the banking industry, Indonesia Financial Services Authority (FSA), have established decree regulating detail arrangements on outsourcing activities, complementing Manpower Law and Decrees on general outsourcing. The decree is FSA Decree No.09/POJK.03/2016 on "Prudent Principle for Bank in Delegating Some Jobs to Other Party" or in this Decree referred to with outsourcing. In the decree, outsourcing as mentioned in Article 2 paragraph (1) arranged by the bank through specific agreements: a) business process outsourcing; and b) manpower outsourcing. For outsourcing jobs, the bank is obligated to ensure that the implementation of the routine works is in accordance with the implementing regulations. Bank also remains responsible and accountable for the jobs which delegated to the outsourcing agency or service provider. Based on the FSA Decree, the bank only allowed to outsource supporting job (non-core job) on the bank activity process flow and banking support process flow. Bank is prohibited to outsource jobs which will transfer the bank's responsibility and risk of the job to outsourcing agency or service provider.

In the case where outsourcing company or bank as an outsourcing user violates outsource worker’s rights, outsource workers generally have no representative managing their bipartite grievances and/or dispute resolutions. Outsource workers may have challenges when there is a dispute, like a violation of their employment rights. However, based on the empirical observations for the last twelve years in the banking industry where the researcher has been working, there are banks that have been providing professional development and additional benefits to outsource workers who are placed in their premises. Opportunities to be prioritized as permanent workers at the bank also another benefit which outsources workers experienced.

The outsourcing arrangements in Indonesia banking industry as described above have caused the researcher to conduct research and analyse further, specifically on the rationales of those banks provide better treatments and benefits to outsourcing workers. Respondents are banks which have outsourcing activities for their non-core banking activities, consists of 2 state owned banks, 2 private owned banks, and 2 foreign banks, other respondents are banks’ stakeholders including policymakers who have interests in assuring the governance of outsourcing arrangements are in place.

II. Literature Review

2.1 Theory of Outsourcing

According to Khairani (2016), in principle outsourcing is a work method by delegating routine operations and management to third parties outsourcing service provider. Jobs are delegated from one company (service user) to other companies as service providers. More studies presented by Kakabadse and Kakabadse (2005) defines the role of outsourcing in the company, based on the company's competitive advantage;

Competitive advantage through sourcing externally can be achieved on the basis that:

- Outsourcing of non-competitive and/or peripheral activities allows management to focus on the core competencies of their organization and establish a clear differentiation from their competitors, and
- Achieving economies of scale allows the organization to gain from greater cost disciplines and the attainment of internal efficiencies.
- The critical difference between current and future outsourcing trends and practice is that greater importance is likely to attach to an existing trend of effectively managing relationships with key trusted suppliers.

Implementation to outsource some jobs must be understood as a business decision, which not only decided by the functional Managers, but it is the decision of the top Management at the corporate level. This statement defined by Grant, Insinga, and Werle (2000, in Quelin and Duhamel, 2003). Quelin and Duhamel (2003) provide a summary of the purpose of companies implementing outsourcing methods for their routine operations, with references as the followings;

Main motives identified	Main references
- To reduce operational costs	- Lacity & Hirschheim (1993); McFarlan and Nolan (1995); Barthelemy and Geyer (2000); Kakabadse and Kakabadse (2002)
- To focus on core competencies	- Quinn and Hilmer (1994); Saunders et al (1997); Alexander and Young (1996); Kakabadse and Kakabadse (2002)
- To reduce capital invested.	- McFarlan and Nolan (1995); Kakabadse and Kakabadse (2002)
- To improve the measurability of costs	- Barthelemy and Geyer (2000)
- To gain access to external competencies and to improve quality	- Quinn and Hilmer (1994); McFarlan and Nolan (1995); Kakabadse and Kakabadse (2002)
- To transform fixed costs into variable costs	- Alexander and Young (1996)
- To regain control over internal departments	- Lacity & Hirschheim (1993); Alexander and Young (1996)

2.2 Outsourcing in Indonesia

Implementation of outsourcing in Indonesia has started with the definition of sub-contracting work since the Minister of Commerce Decree No.264 Year 1989 on the Sub-Contract Works for Processing Companies in the Industrial Area, which then confirmed in the Minister of Commerce Decree No.135 Year 1993 on Incoming and Delivery of Goods in the

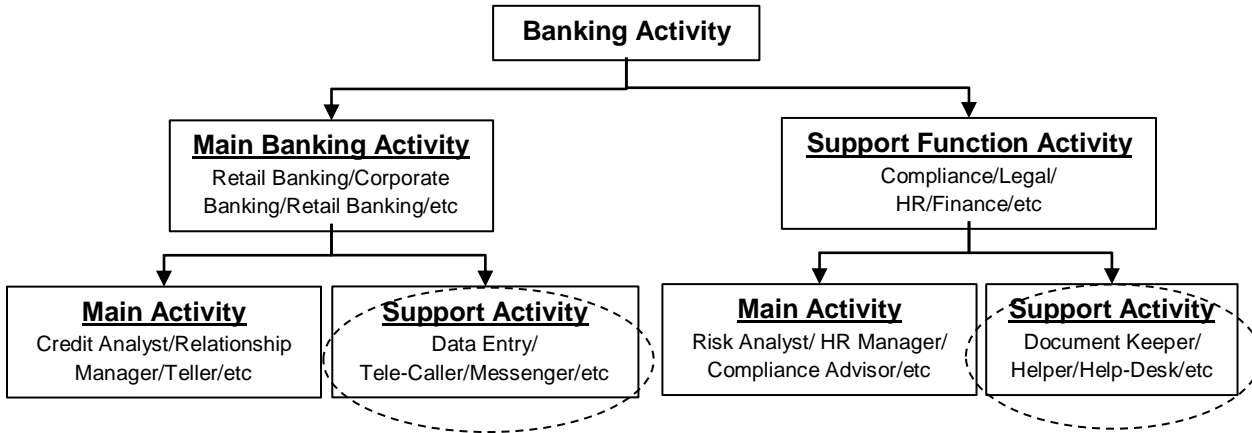
Industrial Area. The government has established labor related policies on outsourcing through the Minister of Manpower Circular No.08 Year 1990 on the Responsibility of the Service User on the Protection and Welfare of service Provider Workers. This specific Circular relates to the distinction between the protection and welfare of the service user workers with service provider workers. This inequality situation was completed with the responsibility of the service user company to provide protection and welfare to the service provider workers'. However, this regulation implicating service user company, which then the Government established Minister of Manpower Decree No.02 Year 1993 on Fixed Term Employment Agreement (Saptorini, 2005). Outsourcing arrangements are also influenced by the Indonesia economy crisis in the year 1997-1998 where investment has decreased its values and when Indonesia experiencing private sector slow-growth. The Government was considering opinions stating that Indonesia economy could grow if Indonesia implements the flexibility system on the employment market. Government decrease involvements in regulating the relationship between workers and employers. The situation resulted in the establishment series of policies which promoting industrial relations flexibilities. This principle provides employers' flexibilities with lesser strictness regulating the relationship between employer and workers (Agusmidah, in Khairani, 2016). In the outsourcing, flexibility principle contains the positive and negative impact, workers must acquire competencies and skills which should be recognized as critical bargaining power with the employer, instead of only accepting what would be determined by employer (Khairani, 2016).

Outsourcing principle in Indonesia is regulated in the Law No.13 Year 2003 article 64, 65, and 66, with implementing regulations as stated in the Minister of Manpower Decree No.19 Year 2012. According to the Decree, specific jobs which can be outsourced must meet essential requirements; 1) jobs are conducted separately from the main activities, 2) jobs performed with employer's direct or indirect command, 3) supporting the overall company activities, and should not disturbing routine operational directly. The outsourcing method is categorized into; business process outsourcing and manpower outsourcing. Manpower outsourcing can be conducted for; 1) facility cleaning services, 2) security guards, 3) transport providers for business workers 4) catering services for workers, 5) supporting functions for mining and petroleum industry. Workers job protection and working terms conditions must be as that of the outsourcing service user or at least in accordance with the manpower regulations.

In general, outsourcing workers who have been working for more than 12 months in specific placement have starting feel at risk or insecure. They feel uncertain on their daily routines because they are stationed at outsourcing user, however, their employment status is with an outsourcing provider. Their employment future is not clear, no job security for them because their employment contract with outsourcing user might get expired, then they will not be employed any longer. Outsourcing workers also feel that their compensation is considered lower than that of a permanent worker of outsourcing users. Based on the research, some outsourcing provider companies have not included their workers to the mandatory employment social insurance program but managed on a self-insured program. However not all outsourcing provider companies behave not in accordance with the implementing regulations, there are still some (though not many) companies provide compensation and benefits as required by regulations (Wahyuni, et al 2009).

2.3 Outsourcing Implementation in Indonesia Banking Industry

Outsourcing arrangements in Indonesia banking industry regulated by the Financial Services Authority Decree No.09/POJK.03/2016 on "Prudent Principle for Bank in Delegating Some Jobs to Other Party" and Financial Services Authority Circular No. 11/SEOJK. 03/2017. Financial Services Authority (FSA) decrees stated that for the banking industry, the outsourcing jobs only allowed for supporting job (non-core job) on the bank activity process flow and banking support process flow. Bank is prohibited to outsource jobs which will transfer the bank's responsibility and risk of the job to outsourcing agency or service provider. Supporting jobs are non-banking jobs which can be bank related supporting jobs or support function type of jobs, for instance; human resources, risk management, compliance, internal audit, accounting and finance, information technology, logistics, and security, with requirements, 1) those jobs are not decision-making type of job, 2) not requiring advance banking competency, and 3) contains a low risk. In summary, outsourcing jobs in the banking industry described as the chart below (summary of the Financial Services Authority Decree dissemination, No.09/POJK. 03/2016);



III. Methodology

This research uses combined approaches, quantitative and qualitative methods (Mixed Method). This approach involves philosophical assumptions, the application of approaches; qualitative and quantitative, and mixing the two approaches in a single research study. The research strategy using sequential explanatory strategy. This strategy is applied with data collection and analysis of quantitative data in the first stage followed by data collection and analysis of qualitative data on the second stage which constructed based on the preliminary results of the quantitative analysis. Weights or more priority is given to quantitative data. Mixing data in this strategy occurs when the initial quantitative result informs the process of qualitative data collection (Creswell, 2014).

A sampling of informant uses non-probability sampling because each bank has a different worker population for this research. The population of this study is all outsourcing users, 3 bank categories which consist of 6 banks; 2 state-owned banks, 2 private-owned banks and 2 foreign banks - BRI, BNI, Bank Permata, BTPN, HSBC and Standard Chartered.

In summary, as the research instruments outline, data which need to be obtained and research approach described in the following table:

No.	RESEARCH QUESTION	METHOD	DESCRIPTION	APPROACH
1.	How is worker's employment rights characteristic, specifically for banking industry outsourcing worker in Indonesia industrial relations system?	Quantitative	Descriptive	Questionnaire Document
2.	How are worker's employment rights implementation and consequence in the banking industry outsourcing practices?	Quantitative Qualitative	Comparison	Interview and Observation
3.	How is the stand-point of stakeholders on the outsourcing worker's industrial relations rights implementation?	Qualitative	Descriptive	Interview and Observation

Based on the research question formulation, then the hypothesis of the research can be described as the following:

Hypothesis 1.

Ho: there are differences in the implementation of the outsourcing worker rights fulfillment of in state-owned banks, private-owned banks, and foreign banks. Ha: there are no differences in the implementation of the fulfillment in state-owned banks, private-owned banks, and foreign banks

This Hypothesis was tested through foreign test Anova statistics.

To answer or to prove the hypothesis of the study, gap analysis conducted as described below:

1. Gap analysis between the regulations, regarding the practice of outsourcing, with the concept of an ideal industrial relations. This gap analysis should be done with a quantitative method with the data obtained through the study of the documentary, and triangulation with academics. Performing this approach should be able to understand on

how far the concept of the regulation that governs the practice of outsourcing in Indonesia in accordance with the concept of the ideal protocol or an academic ideal principle, as the basis of the regulation.

2. Gap analysis between regulations that govern the practices of outsourcing with stakeholder expectations (outsourcing workers, outsourcing service users, providers of outsourcing services, unions), specifically outsourcing workers. The analysis is also measuring the implementation gap of outsourcing in the banking industry. This gap analysis will be conducted through qualitative and quantitative methods. Qualitative methods are done to find out how actual stakeholder expectations on the banking industry outsourcing practices.
3. Gap analysis between the regulations with the actual implementation, based on each stakeholders' attention. This analysis should use a qualitative method, measuring the level of compliance.

To understand and assessing quantitative data on the factual implementations of outsourcing practices in the banking industry, need to conduct quantitative data with correlation test analysis tools. Correlation assessment is made to obtain if there is a relationship between each of the variables in the analysis research model. Correlation assessment conducted for variables as follows:

- Implementation of banking industry outsourcing practices (x1, x2) towards the outsourcing worker's employment rights implementation (x3)
- Compliance (x2) towards regulations implementation (x6)
- Worker's employment rights implementation (x3) against employment status (x6)
- The right to form and join union and working conditions (x4) to training and development (x5)
- Stakeholder expectations, against the practice of banking industry outsourcing, regulations, and the worker's employment rights fulfillment

IV. Discussion and Result

4.1 Descriptive Data Findings

First, in the process of recruitment, workers stated that in addition to the interview process with an outsourcing provider, workers also had an interview process with the outsourcing service user (bank). Respondent understands that in the recruitment process they must comply with the standard set by the bank, and they are required to give their commitment to maintaining bank secrecy. Recruitment process conducted by the outsourcing service provider in two stages; with a service provider, the service user (bank). This process is fixed because the prudence level of the bank is higher compared with other industries, especially for foreign banks.

Second, outsource workers realized that they are outsourced labor in accordance with their employment agreement. In general, outsource workers stated that their job in the banks which they're assigned is not categorized as high-risk jobs for the service user. They understood that their job considered as supporting the type of job, therefore the job category is clearly not decision-making type of responsibility. Most of the outsourcing workers on 3 banks responded that their employment with their employer (service provider) based on fixed term contract employment or temporary contract employment basis, which contract has even been extended more than 3 times or more. Some workers who are assigned at privately owned banks and foreign banks stated that they have been done the same job for more than three years on more than one service providers, based on temporary contract employment instead of permanent based.

Third, on the parameters "Welfare", outsource workers understand that their employment agreement clearly stated their rights and obligations as an employee, including among them; wages, leave days, overtime pay, working time, health benefits, and others. Outsourcing service providers complied with manpower regulations which they are registering their workers to the employment social insurance service provider and to provide religious payment as required by the law. Outsource workers who are assigned at the state-owned bank confirms with a high percentage that their wages have already complied with the minimum wage standard. Most outsourcing workers responded that their health benefits/facilities and the number of annual leaves are not the same as the bank's permanent workers where they are assigned.

Fourth, outsource workers aspired to have representation in specific unions within a company where they are employed or assigned. They are also unable to register themselves as a union member at the bank where they are assigned. In addition,

they have also stated that detail explanations and instructions about each job, as well as the evaluation, are presented very clear to each outsourcing workers.

Fifth, service providers generally do not provide training to their workers before assigning them to service users, specifically those who are assigned in privately owned banks and foreign banks. Service user (bank) regularly conducting competency development programs such as training, for outsourcing workers to complete their job as required. In General, outsource workers who are placed in three bank categories acquiring basic training as well as advanced programs, particularly with regard on how to maintain the bank confidentiality principle, conduct and discipline, safety, information confidentiality, prohibition of money laundering, corruption and bribery prohibitions, and other trainings – specifically in foreign banks. In addition, service users also provide training programs, among others; English language, business communication, presentation skills, negotiation skill, and other training modules, especially by the privately owned banks. Each bank has their own internal principles, specifically in implementing the principle of bank prudential and how to manage business risks, therefore all workers who work for the bank, including outsourcing workers who are assigned to the bank are required to understand and implement all matters relating to those principles.

Sixth, most service users provide opportunities for outsourcing workers to be the bank's permanent workers. Workers stated their aspirations to become a permanent worker in the bank where they are assigned. Workers generally of the opinion that the requirements to become a permanent workforce can be fulfilled. Moreover, those workers do not feel any element of discrimination in the recruitment and selection processes. Workers also stated that during the selection process for permanent employment at the bank, they feel that they are treated based on equal opportunities in comparison with other candidates.

4.2 Banking Industry Outsourcing Worker Employment Rights Characteristic

In the relationship between outsource workers with the bank as service users, attributes below corresponds to the conceptual definitions for the characteristics of the outsource workers' employment rights, with 4 strong attributes which relates ; 1) whether the job requires to advance knowledge and experiences in banking and do not require high risk for the bank's operational, 2) bank's officers provide detail explanations to outsource workers on the jobs which must be performed, 3) outsource workers have aspiration to enroll at the recruitment and selection process to be permanent worker at the bank where they are assigned to, and 4) on the recruitment and selection process, bank does not discriminate outsource worker.

Relationship between outsource workers with the outsourcing service provider can be shown by attributes below which corresponds to the conceptual definitions for the characteristics of outsourcing workers employment rights; 1) service provider is the employer who performs the process of recruitment, 2) employment agreement is established between the two parties, agreement does include a detail explanation of the rights and obligations of each party, 3) whether workers realized that their employment status is with outsourcing services provider, 4) the outsource work which conducted at the bank is supporting type of job that does not require the bank's strategic decision making, 5) whether statutory employment rights have been provided to outsourcing workers (for instance; wages, overtime pay, leave days, social security allowances, religious pay, the right to form labor union), 6) outsource workers' employment agreement is based on permanent employment or temporarily based, 7) if temporary based, whether during the extension workers have been extended more than three times, or moved to different outsourcing service providers.

4.3 Banking Industry Outsourcing Workers Employment Rights Fulfilment

The implementation of employment rights of outsourcing arrangements in the banking industry in this research conceptually shown by some attributes in segment one and the segment two. Attributes that can be included are: 1) an opportunity to be included to recruitment and selection process for permanent workers at the bank where they are currently assigned, 2) the wage received is at the minimum wage requirements, 3) overtime pay paid as required formula, 4) registered as participants of the workers social insurance for employment, health and pensions, 5) religious pay, 6) additional health coverage or services, and 7) leave days provided for outsourcing workers in comparison with that of service user, permanent employees.

The rationales of the attributes to be selected based on several regulations; 1) Law No. 13 the year of 2003 on Manpower Law, 2) Law No. 2 of the year 2004 on the Industrial Relations Dispute Settlement, 3) Law No. 24 the year 2011 and Decree No. 45 the year 2015 which regulates social insurance for workers. Those regulations contain statutory rights which must be provided by employers to their workers. The definition also applied to outsource workers, in which workers must get statutory employment rights as required by regulations.

4.3.1 Multiple Correlation Analysis

Based on the multiple correlation analysis, there are 7 attributes on the segment 1 (relationship between outsourcing workers with the bank as a service user) that have strong multiple correlations, while on the segment 2 (relationship between outsourcing workers with the outsourcing service provider) there are 5 attributes which have strong multiple correlations.

For segment 1 analysis (the relationship between outsourcing workers with the bank as a service user), there are 7 attributes out of 31, which significant in relates to the outsourced workers' employment rights implementation. Attributes that are relevant only attribute X6.3. The mean score of attribute X6.3 shown 3.58, which means workers understand that they have opportunities to sign-up to recruitment and selection process tends to be high for all respondents. On the description of attribute X6.3, the bank periodically conducts recruitment and selection for permanent worker positions.

As for the segment 2 (relationship between outsourcing workers with the outsourcing service provider), based on correlation analysis, there are 5 attributes out of 19 which have a significant impact on the outsource worker employment rights completion. In the context of the relationship between outsourcing worker their employer – outsourcing service provider, relevant attributes are X3.4 X3.2 X3.3 X3.6, X3.5, or consists of all attributes. Significant attributes describe some statutory employment rights provided by the outsourcing service provider. Employment rights that must be provided to workers are; employee social insurance for employment, health, and pension, minimum wage as required by regulations, overtime pay as required by regulations, religious allowance with period and formula as required, whether workers entitled for additional health facilities.

4.3.2 Factor Analysis

Based on the segment 1-factor result analysis (the relationship between outsourcing workers with the bank as a service user), there are 1 out of 9 factors relevant to the outsource worker employment rights completion. In the relationship between workers with service users, only attribute X6.2 is relevant. The mean score of attribute X6.2 shows 4.34, which means the opportunity to join the recruitment and selection process tends to be high. The mean score of 4.34 out of 5.00 shows that outsourcing workers aspirations to become a permanent worker at the bank where they are currently assigned is high. The opportunity to become permanent workers will not be missed by most outsourcing employees.

Segment 2 factor analysis result (the relationship between outsourcing workers with the outsourcing service provider) shown that there are 6 attributes out of 19 relevant outsourcing worker employment rights implementations. In the context of the relationship between workers and service providers, there are 6 relevant attributes; X3.3, X2.18, X3.6, X4.7, X1.1, 2.1. In summary, clearly stated that outsourcing service provider is the party who is responsible to complete the employment rights of outsourcing workers who are assigned to the bank as an outsourcing user. On the variable X3.3, X2.18, X3.6, X 4.7, X1.1, X2.1, where the mean score showing above 3.00 which means all outsourcing workers aspire that their employment rights are similar with that of bank's permanent workers.

Based on the explanation above using two analysis tools, the following attributes resulted as a conclusion of the combination between factor analysis and multiple correlation analysis;

Segment 1, Relationship Between Outsourcing Workers with the Bank Service User

X6.2	I would like to sign-up for permanent worker recruitment and selection at the bank where I am currently assigned to
X6.3	On a regular basis, there is an opportunity to sign-up for permanent worker recruitment and selection process at the bank where I am currently assigned

Segment 2, Relationship Between Outsource Workers with Outsourcing Service Provider

X1.1	I started working with a recruitment process conducted by the outsourcing service provider
X2.1	I understand that I am an outsourcing worker assigned at the service user (bank) where I am currently assigned to
X2.18	In the case that my employment status with the outsourcing service provider is on a contractual basis or fixed term contract, my employment agreement has been extended for 3 times or more
X3.2	I received my wages in accordance with the minimum wage requirements
X3.3	My overtime pay implemented with formula as required by the regulations
X3.4	I have already listed as BPJS member (social insurance provider) of Employment, Health, and Pension
X3.5	Other than health social insurance, the company where I work offering additional health facilities, for instance: clinic/monthly medical allowance/individual health insurance/etc
X3.6	Religious allowance pay has been provided to me with formula and period as required by regulation
X4.7	I will get a performance bonus if I can achieve my job objectives, either from an outsourcing service provider or from the bank as a service user

4.3.3 Correlations Test Analysis

Variable Tests of Welfare, Working Condition, and Development (X) Towards Employment Agreement (Y)

Correlations

			X3,4,5 to X2	1 : 1
Spearman's rho	X3,4,5 to X2	Correlation Coefficient	1,000	-,412**
		Sig. (2-tailed)	.	,000
		N	702	702
1 : 1		Correlation Coefficient	-,412**	1,000
		Sig. (2-tailed)	,000	.
		N	702	702

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the test result table shown that the value sign (0,000) < 0,05. The test can result that **there is a correlation** between variables (X): welfare, Working Condition, and Development towards Variable (Y): Employment Agreement.

1. Implementation of Banking Outsourcing Practices (X) towards Worker Employment Rights Completion (Y)

Correlations

			1 : 1	X1,2 to X3
Spearman's rho	1 : 1	Correlation Coefficient	1,000	-,866**
		Sig. (2-tailed)	.	,000
		N	702	702
	X1,2 to X3	Correlation Coefficient	-,866**	1,000
		Sig. (2-tailed)	,000	.
		N	702	702

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the test result table shown that the value sign (0,000) < 0,05. The test can result that **there is a correlation** between variables (X): Implementation of Banking Outsourcing Practices towards Variable (Y): Worker Employment Rights Completion.

2. Variable Tests of Compliance (X) towards Regulations Implementation (Y)

Correlations

			1 : 1	X2 to X6
Spearman's rho	1 : 1	Correlation Coefficient	1,000	-,867**
		Sig. (2-tailed)	.	,000
		N	702	702
	X2 to X6	Correlation Coefficient	-,867**	1,000
		Sig. (2-tailed)	,000	.
		N	702	702

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the test result table shown that the value sign (0,000) < 0,05. Resulted in the conclusion that **there is a correlation** between variable (X): Compliance towards variable (Y): Regulations Implementation.

3. Workers Employment Rights Implementation (X) Towards Employment Status (Y)

Correlations

			1: 1	X3 ke X6
Spearman's rho	1 : 1	Correlation Coefficient	1,000	-,836**
		Sig. (2-tailed)	.	,000
		N	702	702
	X3 to X6	Correlation Coefficient	-,836**	1,000
		Sig. (2-tailed)	,000	.
		N	702	702

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the test result table shown that the value sign (0,000) < 0,05. The test can result that **there is a correlation** between variables (X): Workers Employment Rights Implementation towards variable (Y): Employment Status.

4. Rights to Unionized and Working Condition (X) Towards Development (Y)

Correlations

			1: 1	X4 ke X5
Spearman's rho	1 : 1	Correlation Coefficient	1,000	-,636**
		Sig. (2-tailed)	.	,000
		N	702	702
	X4 ke X5	Correlation Coefficient	-,636**	1,000
		Sig. (2-tailed)	,000	.
		N	702	702

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the test result table shown that the value sign (0,000) < 0,05 The test can result that **there is a correlation** between variables (X): Rights to unionized and working condition towards variable (Y): Development.

4.3.4. Post Hoc Test

The following step is to conduct a post hoc test in accordance with the results of the homogeneity test. Where the test for heterogeneous variance attributes through Bonferoni test, whereas attributes with homogeneous variance conducting through Games-Howell test.

Outsource workers' employment agreement are based on the temporary based or fixed term agreement on almost all bank categories. There are outsource workers who have experienced contract extension for more than 3 times. State-owned bank outsources worker response has shown that the extension of more than 3 times are higher in comparison with a foreign bank, while the private-owned banks are the lowest on the response of extension.

The employment rights fulfillment to outsource workers who are assigned to the 3 bank categories are not much different. Specifically, on the non-core roles, wages, overtime pay, employee social insurance, and religious pay. Additional health

facilities also not provided by banks other than medical coverage of employee social insurance. On the variable X3.5 stated that all banks not giving additional medical allowance or facilities.

4.4 Stakeholders on Outsourcing Workers Employment Rights Fulfilment

The Director of Worker's Social Securities, Ministry of Manpower have stated that in principle the policy of outsourcing is fit with the business needs. There are the main agenda for each party; 1) for workers is mandatory to improve their competencies and listed on the worker social insurance programs to assure the wellbeing of workers, 2) for employer is required to establish harmonious working relationship and guarantee the workers' rights fulfillment, 3) for government's obligation to assure positive and competitive business environment through positive working relationship environment, with workers' rights fulfillment.

Deputy Assistant of the Ministry of the Human Development and Cultural Affairs stated that outsourcing arrangements are preferable for business environments. Efficient processes are one of the rationales, also the intention for the management's priorities to focusing on the main business activities is another reason for outsourcing in the business. Therefore, the government establishes Laws and Decrees specifically on the worker's social insurance, in order to assure the wellbeing of the workers. The government must conduct strong supervisions and monitoring for the programs to be implemented by employers as required. Director of the Indonesia Employer Association has mentioned that the outsourcing model should be positive to improve the employment rate, specifically college degree. For the banking industry, this model is a mutual benefit; for bank and for young talents. Bank can focus on core business, fresh graduates can obtain working experiences in the "heavy regulated" working environment.

The Executive Director of the FSA stated that outsourcing is positive arrangements for the banking industry; not only allowing the bank to focus on its main activities but also establish opportunities for young talents' employment. Unfortunately, this model has less job-security for outsourcing workers, therefore outsourcing providers and banks must assure the completion of outsourcing workers' welfare as required by regulations. The FSA has the obligation to monitor and supervise the implementation of outsourcing activities in banking industries; the scope of work, registration, annual reports, and workers' rights fulfillment.

One Union Committee of the bank understands that outsourcing regulated by the Ministry of Manpower and the FSA, however, there are some feedbacks which need to be put in an attention. Workers' rights fulfillment must be implemented as required by the regulations. Where possible to be improved specifically outsource workers' welfare; compensation and basic benefit, for instance, medical coverage for workers and family members. Opportunity to form a union is another suggestion raised by the Union Committee of the bank, with the objective to manage grievances or disputes specifically in relates with worker's rights fulfillment.

V. Conclusion

Conclusion based on the research results are presented as follows:

1. With outsourcing arrangement, the bank's permanent workers can prioritize their main jobs, and delegating supporting type of jobs to outsourcing workers. This arrangement will form the bank at more efficient in achieving high productivity and profits.
2. Employment rights characteristics which received by the outsourced worker in the banking industry is in compliant with the regulations. Outsourcing service providers who assigned their workers to the 3 bank categories have written business agreement with the banks. Not only banks governance principle requires them to comply with regulation, but also all banks have high values as part of their culture in running the business, therefore banks treating outsourcing workers humanely. Workers also have opportunities to join specific training and to get into the recruitment and selection process for a permanent job at the bank where they are currently assigned because workers aspire to be the bank permanent worker.
3. Employment rights fulfilled specifically are non-core roles, wages, overtime pay, religious day compensation, and other benefits. In addition to the statutory rights fulfillment, workers have the opportunity to sign-up for the recruitment and selection process to be a permanent worker of the bank. In terms of the competency development, outsourcing workers have chances to join training relate to general banking knowledge as well as soft skill

subjects. There are 2 bank categories provide additional rights to outsource workers. Those banks provide that additional substance to the outsourcing service provider, then give it to each outsource worker who is eligible to receive. Some bank categories implement control functions in addition to the control methods as required by regulations. The system is to monitor and assess the governance of outsourcing implementation, specifically on; selection process of the outsourcing service provider and the fulfillment of the employment rights of outsourcing workers (wages, overtime pay, leave days, background checks, training as required for their jobs).

4. Outsourcing arrangement at 3 bank categories is generally conducted as required by regulations, including the status of employment or employment relationships with outsourcing service providers, as well as responsibility to fulfill workers' employment rights. However, there are findings at almost all 3 bank categories in terms of the extension of the employment contract for more than 3 times. This is considered as a violation of Manpower Law No.13 Year 2003 on the temporary employment agreement article which can only be extended 1 time, they can be renewed 1 time after 30 days break.
5. The policy of outsourcing has already constructed based on the needs of all stakeholders; workers, users, providers, and regulators. However, on some cases, the implementation has not been conducted as required. The supervision on the routine implementations of outsourcing needs to be thorough, detail and require specific methodology, which will be resulted in the high compliant cultures, specifically at the banking industry. This research proves that active supervision conducted by the bank as required by the FSA will effectively minimize potential regulation violations or mismanaged the outsourcing activities at the bank, including to assure the complete implementation of workers' employment rights.

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