

**REVIEWING OUTSOURCING CONTROVERSY
IN INDONESIA**

**(An Exploratory Study of Human Resources
Outsourcing Practice in Semarang City)**



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by

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ABSTRACT

Outsourcing in Indonesia is still a controversy. The different concept of outsourcing between employers (vendors and users), employees/outsourced workers, and government makes another problem in outsourcing implementation, especially in industrial relationship either in enterprise and macro level. This study aims to determine the concept of outsourcing of each element of the tripartite, the problems that arise in the implementation, and solutions from each party, in dealing with the practice of the working system. The problems under study, based on specific issues related to industrial relations, including: wages, welfare programs, health and safety, discrimination, job security, and dispute resolution, and termination of employment.

This qualitative research is an exploratory, with the data collection methods: focus group discussions, observations, interviews, and study documentation. The data collected from employers (vendors and users), the national unions, worker outsourcing, and government within the scope of Semarang city.

The results showed that the problems that arise due to differences in each party's conception of the tripartite elements. Uncertainty rules of outsourcing is a major problem, giving rise to labor flexibility in the implementation, which implies profitable for each party, especially the workers of outsourcing. In the end, the regulation enforcement related to the implementation of the outsourcing firm is badly needed, to compromise the disputes of workers and employer interests.

Keywords: *outsourcing, conception, problems, industrial relations, tripartite, Semarang*

ABSTRAK

Alih daya (outsourcing) di Indonesia masih dalam kontroversi. Perbedaan konsepsi outsourcing antara pengusaha (vendor dan user), pekerja outsource, dan pemerintah membuat permasalahan lain dalam implementasi outsourcing, khususnya permasalahan hubungan industrial baik di tingkat perusahaan dan tingkat makro. Penelitian ini bertujuan untuk mengetahui konsep outsourcing dari masing-masing elemen tripartit, permasalahan yang timbul dalam pelaksanaan, dan solusi dari masing-masing pihak, dalam menangani praktik sistem kerja tersebut. Permasalahan yang diteliti, berdasarkan permasalahan khusus terkait hubungan industrial, antara lain: pengupahan, program kesejahteraan, kesehatan dan keselamatan kerja, diskriminasi, keamanan kerja, perselisihan dan resolusi, dan pemutusan hubungan kerja.

Penelitian kualitatif ini bersifat eksplorasi, dengan metode pengumpulan data: diskusi kelompok fokus, observasi, wawancara, dan studi dokumentasi. Data dikumpulkan dari pengusaha (vendor dan user), serikat pekerja nasional, pekerja outsourcing, dan pemerintah yang berada di lingkup kota Semarang.

Hasil penelitian menunjukkan bahwa permasalahan yang timbul dikarenakan perbedaan konsepsi masing-masing pihak dari elemen tripartit. Ketidak pastian aturan outsourcing menjadi masalah utama, sehingga menimbulkan fleksibilitas kerja dalam pelaksanaan, yang berimplikasi tidak menguntungkan bagi masing-masing pihak, khususnya para pekerja outsourcing. Pada akhirnya, yang dibutuhkan terkait pelaksanaan outsourcing adalah penegakkan peraturan yang tegas, untuk menghindari perselisihan kepentingan antara pekerja dan pengusaha.

Kata kunci : outsourcing, konsepsi, permasalahan, hubungan industrial, tripartit, Semarang

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CHAPTER I

INTRODUCTION

1.1. General Background of the Study

Human resources management plays an important role for controlling availability of workers, both quantitative and qualitative, to reach great performance. Many ways to do to get corporate effectively and efficiency, such as decreasing amount of existing workers. In streamlining the existing human resources, companies generally prefer to recruit workers through outsourcing and contract employment, beside job enrichment for the existing permanent employee.

To bind the workers that can do the appropriate work, companies or employers make an agreement. Work agreement is an agreement between an employee and employer that basically contains rights and obligations of each party (Suwarto, 2009). In Indonesia, there are two kinds of work agreements, i.e.: temporary workers agreement (PWKT) and permanent workers agreement (PWKTT).

A temporary/uncertain time worker/outsourcing (and then called as contract worker) is worker who work based on specified time agreement (PWKT) (Nurachmad, 2009). Basically there are two kinds of contract workers in workers agreement, i.e.: the employers shift the job or shift the workers to another company. Hence came the term of outsourcing, a process of job submission on the third parties (shift by another company). The shifting of jobs to another company is called

business process output (BPO) and the shifting of workers is called human resources outsourcing (HR-outsourcing).

Outsourcing refers to the arrangement where an agency decides to have an activity or function performed by a private sector provider, or by another public sector organization. The main purpose of outsourcing is to allow an agency to concentrate on its core activities and to provide better value for money (Australian Government Publishing Service, 1998). DeRose and McLaughlin (1995) in Simmonds and Rebecca (2007), describes outsourcing as “turning over the heart and soul of the HRD function”. This appears to imply that the purpose or *raison d'être* of the function has been given away or sold off to a third party.

In Indonesia, outsourcing work systems started from the labor contract system issued, known since the issuance of Ministerial Labor Regulation (Permenaker) No. 5 in 1986, and then developed and approved since the publication of Permenaker No. 2 of 1993. Further work in the development of both systems is included in the formulation / design of Labor Law (UUK) in Indonesia, which is a concept of labor market flexibility. (Heru Budi Utoyo, 2010).

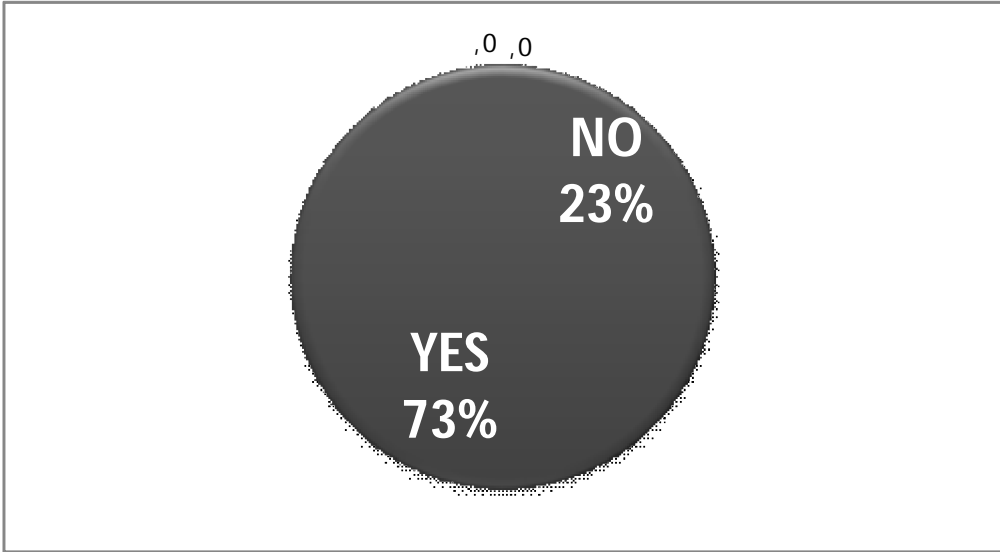
Labor market flexibility refers to the speed of the labor market to adapt to fluctuations and changes in society, the economy or production. The development of labor market flexibility to produce varying effects. In many countries, particularly developing countries, the flexibility creates no small problem for both groups of workers and the poor (Gallie & Vogler, 1995; Vecernik, 2001; Caraway: 2007, Beleva & Tsanov, 2001). Rather than to have a positive, flexible labor markets would

have vulnerability in creating the degradation of working conditions, uncertainty of income and welfare as well as weakening the bargaining position of workers. Flexible labor markets yield distribution of employment opportunities at the expense of the quality of employment itself. Higher level of vulnerability that occurs in the labor market that having the excessive supply of unskilled labor force. In this context, decreasing role of the state of a number of socio-economic roles of protection makes the negative effects of labor market flexibility is increasingly becoming larger. (Nugroho & Indrasari, 2007)

Trends in outsourcing and labor contract has been widely spread in Indonesia since the issuance of Law No. 13 of 2003 concerning Manpower. At first the company is quite strict in practice work systems outsourcing, where outsourcing system is separated from the main activity and the extent of supporting the part, so that employers can compete and focus on the core business. For example, cleaners and security guards. But in its development, due to the weak surveillance system and the decisiveness of government in providing sanctions, which in this case is the Ministry of Manpower and Transmigration, then outsourcing is applied in almost all sectors in terms of recruitment. These work practices were mushrooming when Indonesia was affected by the global economic crisis in late 2008. Until now, almost every 1 May (Mayday), Labor Day, the problem is always highlighting workers, employers and government.

Based on the Division Research of Lembaga Pendidikan dan Pembinaan Manajemen (2008), from surveys of 44 companies in Jakarta, it is known that 73% of

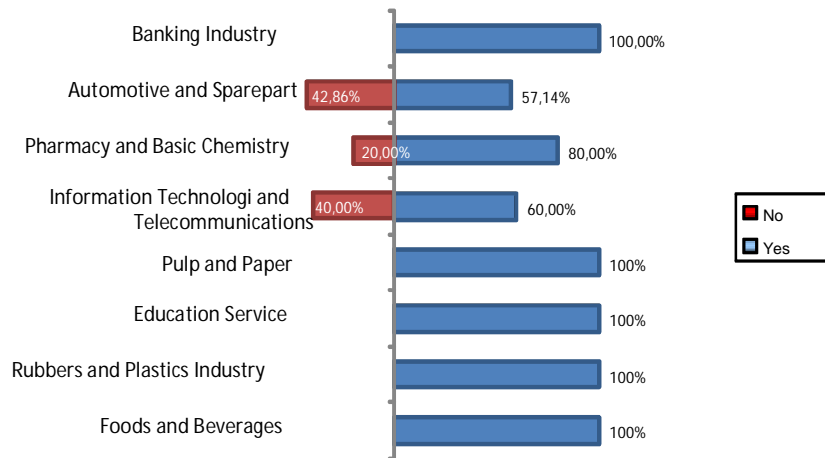
companies employ outsourced labor in its operations, while the remaining, 27% do not employ outsourced labor.



Graph 1.1.
Companies Using Outsourcing Labor
Source: PPM Management Research Division, August 2008

Based on figure 1.2, can be see that 73% companies use outsource labor fully there are: banking industry, paper, education services, rubber & plastic processing, and food & beverage industry. Industrial equipment, machinery and transportation (automotive and spare parts) using outsourced labor as much as 57.14%. For pharmaceutical & chemical base industry (80%), telecommunication & information technology industry (60%) and other industries as much as 50% consists of power plant maintenance services industry, consultants, EPC (engineering, procurement, construction), wood processing, health, printing & publishing, and electronics. When

viewed from the status of ownership, it is known that state-owned, Joint Venture and Non-use 100% of outsourcing in its operational activities



Graph 1.2
Companies using outsourcing labor based on type of industry
Source : PPM Management Research Division, August 2008

The outsourcing system, is not apart of Industrial Relations problem. Shortly, Industrial Relations can be defined as a system of relations that exists between the actors the production process of goods and / or services (Suwanto, 2009: 1). In its development, industrial relations can no longer be seen only limited relationships between workers and employers in the production process in a company. Industrial relations are also associated with economic conditions, investment, political stability, security, unemployment, skills, work culture and work productivity (Djaelani, 2003).

The parties concerned in industrial relations are the workers, employers and government. In the production process there are parties which are physically and directly involved, namely workers and employers. Meanwhile, the government was involved in certain things indirectly. Relations between workers and employers called bipartite, whereas the relationship between workers, employers, and government called a tripartite. The existence of knowledge and perception are not the same tripartite in terms of outsourcing, causing many problems in practice.

For an outsourcing worker is not really enjoyable at all. As experienced by Ari, who was quoted in detik.com (2009), he worked as a relation officer at a leading national bank in Depok. Besides he found difficulties to achieves its targets as an employee who offered credit in the bank, he felt at work was not as it should be because his boss was a workaholic. He worked from 08:00 until 22:00 every day. In addition, he was always worried because dismissal always threatened him. If one little place of work or the boss is not pleased with his work, the worker can simply be fired and returned to the outsourcing company. Because that's threatened dismissal, workers usually do not dare outsource various or deny the boss despite his working hours have been violated labor rules. If he were fired by the company's vendors, he did not receive severance pay, because the outsourcing company (user) did not have possibility to pay him.

According to the interview with the union of Indonesian tourism by inilah.com redaction (2010), permanently of temporary work system (outsourcing) is very unfavorable for employees. With this system, employees do not have future

guarantee. It means that they will never become permanent workers and they will lose their social right guarantee. This system is the same as a modern slaving, he said.

Another opinion that against outsourcing was sounded by Hardjono, Chief of Konfederasi Serikat Pekerja Seluruh Indonesia. Interviewed by Berita Jakarta (2008), he said outsourcing was always unfavorable for the workers. Outsourcing work system is proved to be unable to give the workers welfare, even made misery for them. A lot of accidental event was held that prove this working system was not good for the workers. One of the examples is a strike between outsourced workers and employers at shipping company Batam Island. This problem caused by employers that gave the social inequality on workplace, also great wages discrimination between Indonesian and foreign workers.

Employers as a tripartite element that has the company, has the authority to find suitable workers management. Sofyan Wanandi, Chairman of the Indonesian Employers' Association (APINDO), in an interview with detikFinance (2008) suggested that the actual practice of outsourcing and contract work were not healthy, because people in the train companies could not be used forever. But because of several reasons, the company uses a large part of labor outsourcing. If they did not this, many companies feared would collapsed.

In another interview by okezone.com, Sofyan Wanandi also noted that outsourcing work system was never abolished, from the world whenever and wherever. As he also did not like this system because it harmed to both parties, namely employers and employees. Therefore, Sofyan provided a middle way by

suggesting what must be done to fix the regulatory system of labor (portalHR.com, 2009).

Another outsourcing problem also sounded by Sekretaris Jenderal APINDO, Djimato. Interviewed by Tempo Interaktif (2010), he said that the outsource workers should not blame the users. The problems of management fees and welfare are lies on vendor, so the workers should clarify these problems to vendors. Djimanto also confessed that this outsourcing service is not as helpful as the first goal, but this as a business that presses the workers status.

In the Law No. 13 of 2003 which became the lead of employment, allowing only the practice of outsourcing non-core business. However, sometimes the employers are "naughty" outsource to almost all the work without attention to core business of the company. Being translated unclearly in the regulations governing the implementation of what is core and non core business, is one of the factors causing and can also be an opportunity for employers who apply the practice of outsourcing work.

Employers have a separate issue concerning the system of outsourcing work. Company users; assume that everything related to safety assurance, safety, and welfare workers is the responsibility of outsourcing vendors. But in reality, some users do not pay attention to workers' conditions in which the outsourced workers are always on tap for various jobs and on health, safety, and security (K3) neglected their work. Of course, vendors do not want to take responsibility for any errors outsource use of force by the user.

In the end, outsource workers become the victims of this system. Each month, their salaries cut by the company's vendors as the cost of cooperation. Several previous studies (Uti Ilmu, 2009; Gusti Bagus, 2010; Indrasari, 2010), outsource workers want to go through his work, and survive in the provider of labor because there is no chance for them to contract or have permanent work in other companies. They prefer a fate resigned amid uncertainty in the work.

In the midst of the debate between workers and employers, government as regulator do not give a clear solution for system outsourcing (outsourcing) and employment contracts. Law No. 13/2003 of employment regulation, became the main reference in execution of the implementation work for both employers and workers. Rules regarding the outsourcing of work have been published in the law mentioned in article 64-66. In the Act, termed the chartering of outsourcing work.

In addition to Law No. 13/2003, the real explanation of the implementation of outsourcing is also already in the Ministerial Decree of Manpower and Transmigration of the Republic of Indonesia No. Kep 101/Men/IV/2004 on procedures for licensing services companies, workers who are already regulated in such a way so as not to harm the workers. Moreover, No. Kep 220/Men/IV/2004 regulates the requirement of vendors outsourcing.

Government as policy implementers must have a strong role in the implementation of a sound system of outsourcing work. However, the lack of seriousness the government in responding to the outsourcing of work system that is

often misused, is always a constraint in the implementation of the work in the form of the system.

Starting from misconceptions about outsourcing, disagreement between the bipartite (employers and workers) in the implementation of outsourcing the work system, it caused other problems in the world of employment. The existence of throwing responsibility among workforce providers (vendors) and corporate users of labor (user), making the outsourced workers feel increasingly uncomfortable at work. The purpose of the execution of healthy industrial relations through industrial peace was not achieved; especially the company's main objective is welfare workers and employers.

When the practice of outsourcing cannot be avoided again in labor practices in Indonesia, then at the moment, we need how is best solution for outsourcing work practices and how to apply the practice of outsourcing work in health to have a middle to each side, which is based on the relationship mutual benefit.

1 . 2 . Statement of the Problem

In outsourcing within the scope of Human Resource Management Industrial Relations relation to the problem, emphasis on outsourcing in the form of providing labor services (HR-outsourcing). The debate on human resource (HR) outsourcing is polarized. HR outsourcing is seen as an opportunity for the HR function by some and as a threat by others. The first view suggests that HR outsourcing is an instrument creating time for HR to become a strategic partner. The second view considers HR

outsourcing as a cost-cutting instrument gradually reducing HR staff (Delmotte and Sals, 2006).

Widespread use of outsourcing work systems in many companies in Indonesia, causing many problems in the field of employment in Indonesia. Differences in perceptions of outsourcing for workers, employers, and government lead to differences in implementation in the practice of outsourcing work system. These results in human resource management practices are not healthy in the company. Controversy as the public discussion about outsourcing problems, gain some opinions for agree and disagree based on their interest.

Thus formulated problems to be studied in the form of questions are follows:

1. How is the perspective of workers, employers, and government about the concept of outsourcing the work system in the company?
2. How is the main problem of outsourcing work system based on workers, employers, and government, related to industrial relations issues?
3. How is the perspective of workers, employers, and government in responding to the problems of outsourcing practices in the company's working system as an effort to realize healthy working system within the company?

1.3. Research Objectives and Usabilities

1.3.1. Research Objectives

The purpose of this study includes:

1. To know the concept of job outsourcing in the corporate system from the perspective of workers, employers, and government
2. To know the main problem of outsourcing work system based on workers, employers, and government, related to industrial relations issues
3. To know the solution of problems arising in the practice of outsourcing work in the corporate system from the perspective of workers, employers, and government

1.3.2. Research Usabilities

The usefulness of this research includes:

1. For workers

The result is expected to provide an overview of work systems in the practice of outsourcing

2. For employers outsourcing users and outsourcing service providers

The result is expected to be a consideration in determining the pace and the company's policy, especially in applying the use of outsourced labor to create a good cooperation between employer's users, service providers and outsourced workers

3. For the government

The result is expected to be a reference to formulate policies on employment, especially in the use of outsourced labor in the future, both regional and national in scope.

4. For the community

The result is expected to provide an overview and open horizons for the community, regarding the outsourcing of work system, that system is not working can be avoided in the enterprise system, in the present era.

5. For other researchers

This is study expected to be a reference and knowledge to research in the field of human resources particularly with regard to outsourcing in practice in a company or other organization.

1.4. Outline of the Study

This study is divided into 5 chapters. Chapter I, the introduction consists of general background of the study, statement of the problems, objectives and benefits of research, and systematic writing. This chapter explains the background of outsourcing issues in Indonesia and its implications in the management of human resources. It also elaborated on the formulation of the problems that will be as the base of this research.

Chapter II presents a review of related literature which discusses some theories about industrial relation and outsourcing from some literatures as references for this study.

Chapter III deals with method of the study, present a description of how the research will be done operationally. Therefore this chapter will contain the methods of research, the scope of study, research subjects, methods of data collection and data analysis techniques.

Chapter IV will discuss the results of research that has been analyzed by the method of research that has been predetermined. The results of this study will be discussed in depth that answered the problem statement.

Chapter V, the last chapter, provides conclusions obtained from the discussion that has been done before as well as advice to the interested parties of research findings.

CHAPTER II

REVIEW OF THE RELATED LITERATURE

2. 1. Literature Study

2. 1. 1. Industrial Relations

Based on Law no 13 of 2003 on Employment, Industrial Relations is defined as the relationship between employers and employees based on employment agreement, which has elements of employment, wages, and commands.

Shortly, industrial relations can be defined as a system of relationships that formed between the actors the production process of goods and / or services. The parties involved in this relationship are the main unions, employers, and government (Suwanto, 2009). In the production process there are parties who are physically directly involved day-to-day, is the workers and employers. While the governments involved in certain things indirectly to regulate the relationship between workers and employers.

In industrial relations, known as the tripartite elements. The tripartite understanding among the elements will be explained as follows:

1. Workers

Based on Law no 13 of 2003, the worker or the worker is any person who works with pay or compensation in other forms.

Trade Unions / trade union is an organization that was formed from, by, and for workers in both the enterprise and outside the company, which is free, open, independent, democratic, responsible in order to fight for, defend, and protect the rights and interests of workers / workers and improving the welfare of workers.

2. Businessman

Based on Law no 13 of 2003, Employers are

- a) Any individual, partnership or legal entity that operates a self-owned enterprise
- b) Any natural person, partnership or legal entity that is independently run companies do not belong
- c) Any natural person, partnership or legal entity in Indonesia representing the company referred to in paragraphs a and b are domiciled outside the territory of Indonesia

The company is

- a) Any form of business incorporated or not, owned by an individual, owned by a partnership or a corporation owned, either privately owned or owned by the State which employs the workers by paying wages or compensation in other forms.

- b) The efforts of social and other endeavors that have a board and hire someone else to pay wages or compensation in other forms

In accommodating the employers, formed the Association of Indonesian businessmen. Indonesian Employers Association (APINDO) is a container unit of employers who participate for social welfare in their operations and implement an integrated cooperation between government, employers, and workers (Sri Haryani, 2002)

3. Government

In general, the role of government in industrial relations is to regulate the relationship between trade unions with employers / employers' association. With the arrangement is expected to be harmonious working relationship is established, each of which does not attempt to impose his will. Next create the freedom to work and try, which the last is to increase national production. (Sri Haryani, 2002).

In principle, industrial relations based on common interests of all the elements for the success and sustainability of the company. Payaman Simanjuntak (2003) put forward the principle of industrial relations as follows: (1) Employers and workers, as well as government and society in general, both have an interest in the company *keerhasilan*. (2) The Company is a source of income for many people. (3) Employers and workers have a functional relationship that each has a different function with the division of labor or the division of tasks. (4) Employers and workers are members of

the family company, who love one another, considering the interests of others and help each other. (5) Development of industrial relations is the goal of establishing peace and tranquility work in order thereby to increase the productivity of the company.

The ultimate goal is the creation of industrial relations arrangements productivity or performance of the company in the form of increased productivity and prosperity for the workers. In order to achieve the final goal, it is necessary to work and tried to calm or industrial peace as a goal between.

Suwarto (2004) explain that industrial peace implies the existence of dynamics in the relationship between employers with workers and their organizations in terms of intensive mutual communication where in it contains elements of:

1. Rights and obligations of the parties secured and implemented
2. When disputes arise can be resolved internally by both parties
3. Strikes and lock-outs are not used to impose the will.

Tripartite Cooperation Institution is responsible for handling specific problems. Special Problems in Industrial Relations Pancasila (as applied to Industrial Relations in Indonesia) that require attention are: Wages, Welfare and Social Security Labour, Strike, and Closing the Company and Employee Separation (Sri Haryani: 2003).

According Suwarto (2009) specific issue is meant here is a problem that needs to be handled fast and final, because the issue has the potential to cause more serious problems. Specific problems include:

a. Wage

Wage is the right of workers who should be able to meet their needs and their families. Wage system should be developed by taking into account the balance between work performance or productivity, the need for workers, and company ability. In addition it is necessary to develop the structure of wages that are not complicated and the wage component should be clear and appropriate with the labor needs. Wage setting mechanism, should be regulated in the work agreement, company regulations or collective labor agreements.

b. The strike / demonstration / rally

Given that the events of the strike / demonstration / rally will produce an adverse party and a lot wider, then the incident should be actively discouraged in the maximum can be reduced or even avoided. Efforts to prevent or to avoid are ways in early development and education.

c. Termination of Employment

For workers Termination problem (lay off) is a complex issue, because it has a relationship with the economic and psychological problems (Haryani, 2002: 158). Thus, the layoff actually occurs only between the company and the status of permanent workers who had run through probation.

In general, the termination of employment/layoffs are events that are not desired by all parties, because harming workers,

employers, or both, and even society. Layoffs should be sought to be avoided, however if it is no longer possible to be prevented, layoffs should be a last resort.

d. Labor Inspection

Employment legislation is a means of protection for workers who also regulates the rights and obligations for the perpetrators of the production process. The provisions can be implemented well if the workers have enough understanding and awareness. However, in practice still required supervision carried out by employees of the government watchdog agency in charge of employment.

e. Welfare

Welfare workers are a fulfillment of the needs and / or needs that are physical and spiritual, both inside and outside the employment relationship, which directly or indirectly enhance labor productivity in the work environment safe and healthy (Suwanto, 2009).

To improve the welfare for workers and their families, employers must provide welfare facilities, such as family planning services, daycare, housing workers, worship facilities, sports facilities, canteen facilities, health facilities, and recreational facilities.

2. 1. 2. Outsourcing

2. 1. 2. 1. Understanding Outsourcing

Outsourcing is defined as having work that was formerly done inside the organization performed by an external organization. The vendor (hereafter the outsourcer and outsource are, respectively, referred to as vendor and client) may be an independent entity or a wholly owned subsidiary (Beaumont and Sohal, 2004). In practice, a basic understanding of outsourcing is the transfer of part or all of the work and / or authorize others to support the strategy of outsourcing service users both individual, company, division, or a unit within the company (Priambada & Eka, 2008).

Senangun, (2004) in Ibrahim, (2005) suggested that the pattern of employment agreement in the form of outsourcing in general is that there are few jobs and then transferred to another company that has legal status, where one company that does not relate directly to the workers but only to the company's dealer or employment. This is clarified in the Act No. 13 of 2003 regarding employment.

There are various other terms in outsourcing. In general, Priambada and Eka (2008) outsourcing divides into two main groups namely BPO (Business Process Outsourcing) and Labor Supply or commonly known in Indonesia by Provider of Manpower Services or Outsource Human Resource (HR-Outsourced).

BPO or Business Process Outsourcing is a business process outsourcing, where outsourcing carried out by referring to the end of the job. BPO is actually a term that is a bit ambiguous. This is because the term outsourcing itself already contains the meaning of business process. In Indonesia, BPO is also known as the

volume of work. In practice, the BPO has an extremely diverse derivative. As for some examples of BPO with various terms (Priambada and Eka, 2008), including:

(1) Sales Agency or Distributorship

Sales Agency or Distributorship is a form of outsourcing most often applied by companies in distributing their products. The parent company did not want to build a sales or distribution network itself, which then utilize a network that has been owned by other companies or choose other companies to make sales in an area. For example the Nokia cell phone products sold in large OkeShop as a distributor that already have many outlets for these products.

(2) Insourcing vs Outsourcing

Insourcing is not the opposite of outsourcing. Subcontracting into the often defined as the delegation of production work in a business in an internal entity that specializes in the job. As example, for damage to Toshiba laptops, the company does not need to fix directly in the parent company, but simply pointed to the company that certified service center for repair.

(3) Onshoring, Offshoring, and Homeshoring

If a BPO process conducted in other countries, so termed by offshoring, however, if still in one state, usually referred to as onshoring. While homeshoring is outsourced that leads to the work performed in the household.

(4) Service Provider

Service Provider is a service that is widely used in telecommunications, such as the Internet (ISP) and the BTS. In general, mobile business people in Indonesia do not have their own BTS building, but rent it.

(5) Content Provider

Content Provider is the provider of the content of a communication media. For example for mobile applications, mobile phone companies threw the contents of its application to the content provider.

(6) OEM (Original Equipment Manufacturer)

OEM is outsource production process especially in the areas of manufacturing to produce a particular brand. For example well-known shoe company Nike, built a company in Indonesia, while the name and design is still owned by foreign companies.

Outsource Human Resource (HR-Outsourcing) is diverting work or services performed by workers outsourcing company. Here the role of human resources as the workers is enormous, which is transferred is a human, not the result of a product. The practice of outsourcing in this form is extremely vulnerable, causing various problems in implementation. Form HR-outsourcing will be more widely discussed and emphasized in this study.

Outsourcing is used because it supposedly advantages the organization. The advantages and disadvantages can be categorized as strategic or tactical, long-term or

short-term, and tangible or intangible. Beaumont and Costa (2002, 2003) in Beaumont and Sohal (2004) describe advantages and disadvantages, such as:

1. Advantages

- a. Reduce and control operating costs. Outsourcing reputedly reduces IT costs. Vendors tempt firms by purporting to cut costs by 10-50 percent (Lacity and Hirschheim, 1993, p. 74). McFarlan and Nolan (1995, p. 12) and Quinn and Hilmer (1994, pp. 48-9) allude to accessing lower labour costs through international outsourcing.
- b. Concentration on core activities and competencies. Managers should apply their experience and knowledge to core competencies and outsource activities in which they are less competent and can benefit from vendors' expertise.
- c. Variable and fractional demand. A small firm's limited internal resources make coping with sudden changes in demand difficult. Responses to increased demand usually lag demand as new capacity is acquired or new staff are recruited and trained. Diminished demand may necessitate dismissing loyal staff in whom training and experience has been invested (Computer Sciences Corporation, 2002). A vendor may have ample resources. A small organization will not hire half a lawyer, but outsource its legal requirements.
- d. Avoidance of cultural problems. "Cultural differences can also often cause friction between IT and management" (Williamson, 1997); and

outsourcing may allow the “elimination of an internal irritant” (McFarlan and Nolan, 1995, p. 14).

2. Disadvantages

- a. Ascertaining relevant costs. It is notoriously difficult to allocate the costs of internal IT amongst individual applications or to quantify the fixed and variable components (Quinn and Hilmer, 1994). Barthelemy (2001) lists “the hidden costs of IT outsourcing.” Documenting internal operations being considered for outsourcing and preparing service level agreements (SLAs) (Sturm et al., 2000) may be a lengthy and expensive exercise.
- b. Maintaining the relationship. An outsourcing relationship can be characterised as either arm’s length or collaborative (suggestive of out-tasking and partnership respectively). The former is appropriate when the services and quality attributes (turnaround time, unit price and accuracy) can be unambiguously defined and is most likely to arise in simple transaction processing. When significant aspects of performance have to be measured using intangible criteria, a cooperative or partnership relationship will be required.. The relationship will be most fruitful when both parties share the benefits of an improved business process.
- c. Loss of distinctive competencies. Bettis et al. (1992, pp. 14-7), Lonsdale and Cox (2000) and Quinn and Hilmer (1994) stress that

outsourcing the intellectual or other skills underlying a distinctive competence may be a bad strategy. A bank that outsources the development of software driving its automatic telling machines (ATMs) may advantage competitors or create new competitors because the skills and knowledge accumulated by the contractor are applicable to the development of a competitor's similar system. It may be impossible to recreate in-house outsourced knowledge and skills (Bettis et al., 1992; Earl, 1989), the vendor may use its monopoly power to demand a high price for changes.

- d. Change problems. Outsourcing creates change problems. If an in-house system is replaced by a vendor's system, there is danger of disruption caused by misunderstanding or failure to transfer data properly. Outsourcing a function may entail dismissal or redeployment of employees, changes in the work they do or their transfer to the vendor's employment and its different conditions (Antonucci et al., 1998; Caldwell and McGee, 1996; Useem and Harder, 2000, p. 32).
- e. Loss of flexibility. Signing a 3-year outsourcing contract lessens flexibility. If business requirements change or changes in technology create new opportunities or lower prices then the client has to renegotiate the contract to access them. If the process had not been outsourced, change could have been affected by managerial fiat.

f. Other factors. Strassmann (1997, pp. 181-92) finds that (in the USA) major decisions to outsource are correlated with worsening profits. He postulates that firms with declining profits outsource IT to improve cash flows. The mere threat of outsourcing may galvanise departments (Hirschheim and Lacity, 2000) and management may be influenced by departments' track records.

2. 1. 2. 2. Outsourcing Rules

Law No.13 of 2003 on Labor as the legal basis for the enactment of outsourcing in Indonesia, outsourcing is divided into two parts, namely: chartering employment and service provision workers.

Contract work can be handed over to another company where the work is done separately from the main activities carried out by direct or indirect orders of the employer, is supporting activities of the company as a whole, and not hamper the production process directly.

At first, the rules that allowed practice of outsourcing is Law of Employment no 13 of 2003. In article 35 said that

1. Employers that need employees can recruit themselves or through executive placement.
2. Executive placement that referred in article 1, should give protection from the recruitment until placement.

3. Employers that referred article 1, when employed the employees, should give protection that related to welfare, security, and health, both mental and physical.

The details of the rules on outsourcing in Law No. 13 of 2003, among others: Article 65, which explains about the Contract Work (Business Process Outsourcing) provides:

1. Submission of partial execution of the work to other companies chartering the work is carried out through agreements made in writing.
2. Work that can be transferred to another company referred to in paragraph (1) must meet the following requirements:
 - a. Done separately from the main activity;
 - b. Done with the command, directly or indirectly from the employer;
 - c. Is an overall corporate support activities, and
 - d. Not inhibit the production process directly.
3. Other companies referred to in paragraph (1) must be a legal entity.
4. Protection of employment and working conditions for workers in other companies as referred to in paragraph (2) at least equal to labor protection and working conditions in the company of the employer or in accordance with laws and regulations.
5. Changes and / or additions as the conditions referred to in paragraph (2) shall be further regulated by a ministerial decree.

6. labor relations in the implementation of the work referred to in paragraph (1) set forth in a written employment agreement between the company and the workers who employed
7. The working relationship as referred to in paragraph (6) can be based on employment agreements are not certain time or certain time employment agreement if it meets the requirements referred to in Article 59.
8. If a provision referred to in paragraph (2), and paragraph (3), not met, then by law the status of labor relations workers with a company chartering receiver turned into a working relationship workers with employer company.
9. In the event that the working relationship the company switched to an employer as referred to in paragraph (8), then the employment relationship workers with an employer in accordance with the employment relationship as referred to in paragraph (7).

Article 66 explains about HR Outsourcing, set:

1. The employees of services companies, workers may not be used by employers to implement the principal activity or activities that are directly related to the production process, except for auxiliary service activities or activities that are not directly related to the production process.
2. Provider service workers to support service activities or activities that are not directly related to the production process must meet the following requirements:

- a. The existence of the working relationship between the workers and company service providers workers;
 - b. Employment agreement which applies in the employment relationship as referred to in letter as is the employment agreement for a specified time, made in writing and signed by both parties;
 - c. Protection of wages and welfare, working conditions, as well as disputes arising is the responsibility of service providers, unions;
 - d. The agreement between the service user company workers and the company providing workers made in writing and shall contain the article referred to in this law.
3. Providers of service workers are a form of business that are legal entities and have permission from the government agency responsible for labor affairs.
 4. If the provisions referred to in paragraph (1), subsection (2) letter a, b, and d as well as paragraph (3) is not fulfilled, then by law the status of the working relationship between union workers and company service providers / workers move into the working relationship between the workers and the employer company.

From the explanation of Law no 13, 2003, it set the activity that can be outsourced, called non core business, among others: cleaning service, catering for employees, security, service that support mining industry, and transportation for employees.

Another regulation about outsourcing, Decree of Labor and Transmigration Ministry (No.101/Men/IV/2004), sets procedures for corporate services worker / labor provider licensing. In the Decree 101/2004, in addition to legal status, corporate service providers / labor unions should also have operating permits from the government agency responsible for manpower affairs (Article 2 of Decree 101/2004). Furthermore, the agreement also stipulated that the material must at least be contained in the Employment Agreement between the Servicer Workers / Labor and Employee / Labor, such as:

1. Type of work will be done by the workers / laborers from service providers;
2. The assertion that in carrying out the work referred to a letter, there is a working relationship with the service provider company worker / laborer employed service providers so that the protection of wages and welfare, working conditions and disputes arising in the responsibility of service providers, employees / unions ;
3. The assertion that the company's service provider of workers / laborers are willing to accept the workers / laborers from the provider company worker / laborer prior to the type of work constantly in the company employer in the event of a change of service providers, employees / workers.

Besides those three things above, may be other things provided that the matters set should not be detrimental to the workers / laborers or lower than the regulations of the invitation. Agreement on temporary work or PKWT, then the Employment

Agreement must be made in the Indonesian language to avoid a change of status to PKWTT when made in a foreign language since the employment relationship (Article 15 (1) Ministerial Decree 100/2004). This Working Agreement must then be registered with the Employment Agreement attached draft at the agency responsible for manpower affairs of district / city where the service company worker / laborer performing work (Article 5 of Decree 101/2004).

In the case of employer firms in the districts / cities with different services companies, workers / laborers, but still in one province, then the registration is done at the agency in charge of the provincial labor, and if different provinces, then the registration is done at the government of industrial relation advisor. If registration is not done, then the responsible government agency (minister) will revoke the licenses of the company's operational service.

Decree No.220/Men/X/2004, sets terms of transfer/diverting execution companies to work. In the delivery of part of its work to the Company Recipients chartering to consider is whether the company is incorporated or not, because delivery can only be granted to companies incorporated (Ps.3 (1) Ministerial Decree 220/2004). There are some exceptions to this (can be seen in Ps.3 (2) and Ps.4 Ministerial Decree 220/2004).

This type of work that can be submitted to the Company's chartering Recipients must meet the following requirements

- a) conducted separately from the main activities both management and execution of work activities;
- b) performed with either a direct or indirect from the employer intended to give an explanation on how to carry out the work to conform to the standards set by the company chartering the Giver;
- c) is supporting the company's overall activities, meaning that such acts are acts that support and facilitate the implementation of the work in accordance with the flow of work activities Giver chartering company;
- d) not directly inhibit the production process means that these activities is an additional activity that, if not done by a company employer, job execution process is still running as usual.

In addition, the Company shall make a groove Giver chartering activities of the implementation process of the work (which will be submitted to the Company Recipients chartering). Giver of chartering company should also determine the types of primary jobs and supporting jobs. Then reported all this to the government agency responsible for manpower affairs.

2 . 2 . Theoretical Framework

Whatever the motivation for outsourcing all or part of the HRD function, if the process is not handled correctly, the move will be of limited benefit to the company (Nijhof, 2004; Ruona and Gibson, 2004 in Simmonds and Rebecca, 2007).

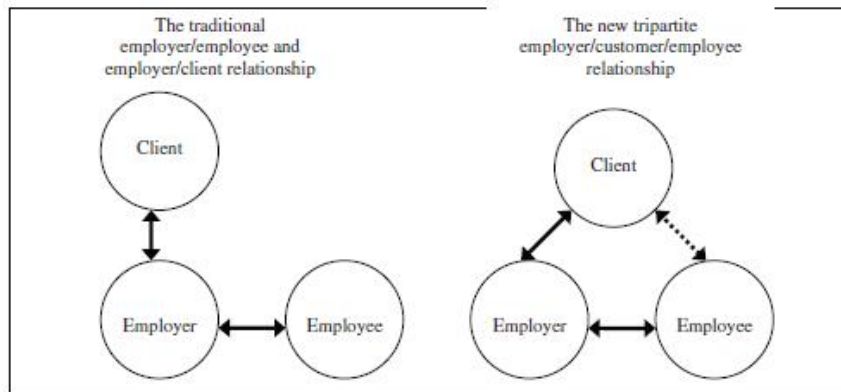
In the implementation of outsourcing system, people respond in vary of perception about outsourcing worker/employee. Wasis Susetio (2010), said that in fact, due to many companies employ outsourcing worker without a written contract, it causes many problems of employment and employee / worker rather difficult to sue the company, either user company or agency, the problems arise mainly related to the protection of worker's rights, for example: their benefit, period of work, overtime-holiday, and health insurance.

Uti Ilmu Royen (2009), classify some problems caused by employers related to outsourcing system disobey, among others:

1. companies do not do the job classification of the core business and non-core business which is the basis of the implementation of outsourcing, so that in practice that is outsourced is the nature and type of main job company. The lack of classification of the nature and type of work that dioutsource resulted in workers employed for these types principal job or jobs that are directly related to the process production, rather than supporting activities as desired by law;
2. The company that submitted the job (principal) gave some implementation of the work to other companies / firms receiving jobs (vendors) that are not incorporated.
3. Employment protection and working conditions for workers outsourcing very minimal when compared with workers of other work directly to the company's

principal and / or does not comply with regulations legislation and regulations.

The relations between outsourcing elements by tripartite needed for making a concept that accepted by each parties. Based on Peter Hasel (2007) that made a research on transportation industry, traditionally, employees have no formal relationship with a client; at most, employees render a certain service on behalf of their employer (see Figure 2.1.). The traditional model, made by Marchington et al., (2005) in Peter Hasel (2007). However, new relations seem to evolve in the bus cases where the client is interested in direct contact with the employees. This contact may both have to do with the reporting of, possibly, problems related to operations and with the three parties' joint problem solving. This tripartite relationship may cause a problem for the health and safety authorities as it gradually becomes more difficult for the labour inspector to clarify the line of responsibility and issue improvement notices. Also, it raises new strategic possibilities for the bus drivers and their unions. They are able to work with both the employer and the client directly to achieve a more healthier and safer workplace.



**Figure 2.1. Traditional and New Outsourcing Relationship
Peter Hasel (2007)**

Peter Hasel (2007) research, is limited without government element. Government is important element that regulate the relation between employers and workers. Thus, the writer develop the model, combine with previous framework as seen on Figure 2.2.

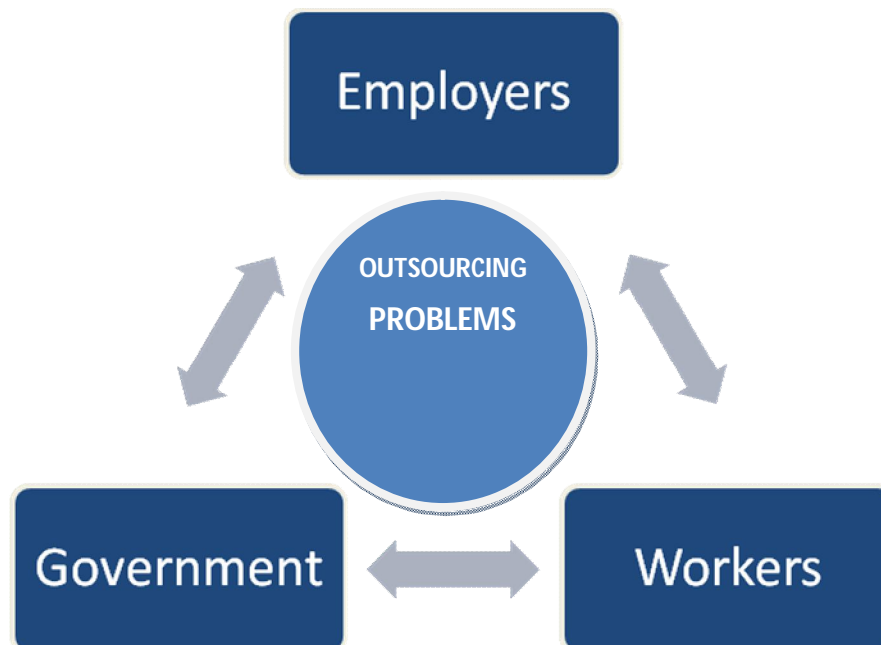


Figure 2.2 . Outsourcing Concept Framework by Tripartite

Based on that problems, this research will be determined as three perspective, such as: outsource workers, employers (consist of vendor and user), and government. Each of parties will define about the basic concept about outsourcing, problems that appears in outsourcing practice based on normative right, and the greatest concept about outsourcing nowadays. The problems in practice of outsourcing, will be explain in seven variables, such as: wages, welfare, occupational health and safety, discrimination, dispute, job security, and termination.

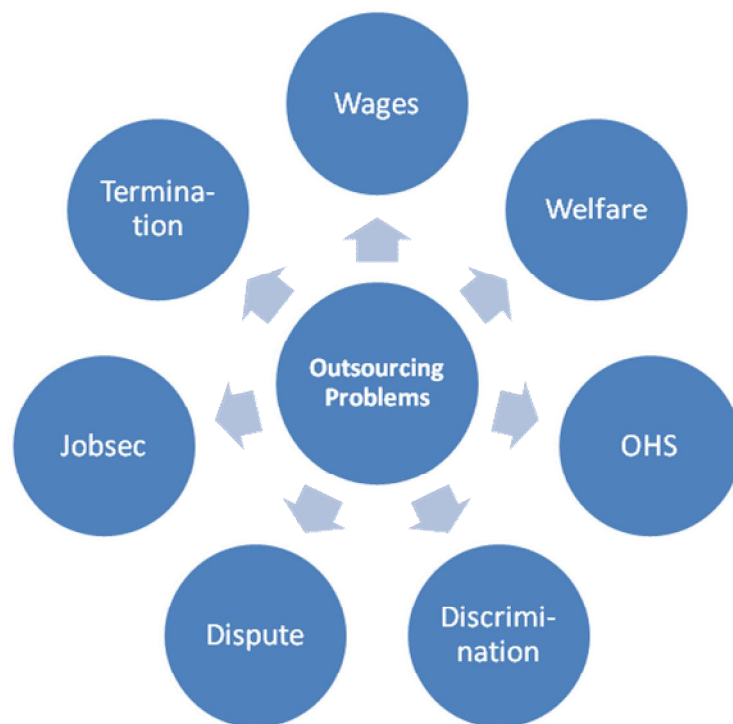


Figure 2.3. Outsourcing Problems Research Framework

2. 2. 1. Wages

Based on Law no 13 of 2003, wages are the rights of workers who accepted and expressed in terms of money as compensation from the employer or the employer to workers who are determined and paid work based the agreements, or regulations, including allowances for workers and their families for a job and / or services that have been or will be done.

Based on Soewarto (2009) wage components generally consist of

1. Basic Wages

Basic wage is a basic benefits paid to workers by level or type of work assigned as written as in agreement

2. Fix Allowances

Is a regular, fixed payments associated with the work that paid in the same time with payment of the basic wage. This fixed allowance for example: allowances wife, children, housing, etc.

3. Benefits allowance, that are not fixed

Is a direct payment or indirectly related to the work presented on an irregular basis that is generally associated with the presence of workers. These allowances such as meal allowances, transport, attendance, etc.

Wages acceptance between permanent workers and outsourcing workers are totally different (Nurachmad: 2009). The differences are: (1) Workers-outsourcing contracts have limitations in terms of wage structure and pay scales. The scale and salary structure prepared based on job analysis, job descriptions and job evaluations. Because only perform tasks at a certain time, temporary, and just do work that is complementary then the company reserves the right to limit the structure and wage scale for such workers. (2) In addition, contract workers, outsourcing, do not get severance if the employment has ended.

Based on Indrasari et. al. (2010) on their research of Metal Industry Outsourcing in Indonesia, they found some facts about wages in outsourcing practice, such as:

1. For the same duty, basic wages that accepted by outsourced workers is smaller than permanent workers and temporary workers in all regions. The averages percentage differences between outsourced workers with contract and permanent workers are 14% and 17,45%
2. As same as basic wages, allowance that accepted by outsourced workers is smaller than permanent workers and temporary workers.
3. Wages component that accepted by the outsourced workers are the result between users and vendor, so the workers do not have bargaining power to made an agreement about wages and its components.

2. 2. 2. Welfare Programs

Welfare is kinds of fulfillment of workers need and or something necessary, classified as physically or psychological, inner or outer work relationship, that directly or indirectly increase workers productivity (Simanjuntak, 2003)

Welfare workers should always be considered and if possible improved, as this gives a direct influence on peace work which in turn will also contribute to increased productivity. An effort to improve welfare is solely the responsibility of employers and unions, but workers themselves also make an effort, for example through the establishment of cooperatives.

For contract workers / outsourcing, employers who hire workers less than three months in a row, must involve workers in work accident insurance scheme and guarantee death. For successively to three months or more employers must include pension and health care benefits starting contract extension. As a basis for setting fees is a monthly wage set forth in the agreement. (Nurachmad: 2009)

In general, substantial outsourcing workers in social security to workers remains the same, but the difference is the amount of the nominal. In addition, the company usually does not include workers outsourcing / contracts in health care administration program for workers with better benefits and use of basic health care insurance of social security, as stipulated in Permenaker. Per-01/Men/1998. They just enter the outsourcing of workers only in employees' social security programs.

Indrasari et. al. (2010) also said that as same as wages, welfares that accepted by outsourced workers is smaller than permanent and temporary workers. As the indicator is amount of outsourced workers in Jamsostek programs.

2. 2. 3. Occupational Health and Safety

Besides providing wage to their employees, employers are also required to provide job protection to employees. Two kinds of the employees protection who become managers concern are health and safety programs.

Sri Haryani (2002) define health program as a program that intended to maintain the health of workers and the actions and obligations of the employer if an employee is sick. Safety program is intended to reduce the likelihood of accidents and the actions and obligations of the employer in case of accidents.

Addressing the diverse types of safety and health hazards that result from a wide range of industrial activities goes beyond the realm of an organization such as the Ministry of Manpower. Employers are interested in avoiding interruptions in their operations and minimizing production costs. If unsafe practices lead to costly operations or delays, they will pursue safer methods. Workers are interested in preserving their health and safety to the best of their ability. Therefore, information that persuades them that a safer practice will free them from risks will encourage the adoption of safer practices by them (Alejandra, 1996).

Outsourcing has emerged as a major problem for occupational health and safety regulators. It increases the likelihood of multi-employer worksites, corner-

cutting, and dangerous forms of work disorganization, as well as situations where the legal responsibilities of employers are more ambiguous and attenuated. (Johnstone, et al., 2005)

The problem is when there is a problem related OHS, like accidental from the light until life in rest, who will take the responsibility? Vendors or Users? And who will guarantee that the outsource workers working safely cause they don't know the right agreement and the work condition.

2. 2. 4. Discrimination

Discrimination is a multifaceted issue. Based on Law No. 13 of 2003, Article 6: Every worker is entitled to equal treatment without discrimination from employers.

Noe, et, al., (2003) identified three theories of discrimination, there are:

- a. Disparate treatment, this discrimination exist when individuals in similar situations are treated differently and the different treatment is based on the individual's race, color, religion, sex, national origin, age or disability status.
- b. Disparate impact, occurs when a facially neutral employment practice disproportionately excludes a protected group from employment opportunities.
- c. Reasonable accommodation, is discrimination place a special obligation on an employer to affirmatively do something to accommodate an individual's disability or religions.

Discrimination in outsourcing is appears when outsourced workers placed into users place. Based on Sasirusm (2010), outsourced employees are often seen as second class employees, who receive less benefit for doing the same job as the directly hired.

Based on Indrasari et. al, (2010), a policy that applied by companies (both users and vendors) to use outsourced workers limited by the age and marital status. Companies require that outsourced laborers they hire have to be within the age bracket of 18-24 years and single for productivity reasons. Choosing single employers makes an effect the difficulties of job seeking by married people.

Working not on the company who recruit them, some of outsource workers feel seen as edge workers on their workplace. This feel should not appear if they have good intrepersonal relationship between permanent workers and outsource workers (Priambada and Eka, 2008)

2. 2. 5. Dispute and Resolution

According to Sri Handayani (2002) dispute is a disagreement between employers with workers who are members of unions, due to the lack of correspondence schools of the working relationships, working conditions, and the state of labor in an enterprise. Dispute can be divided into two types, such as: right dispute and interest dispute.

In implementing outsourcing, some potential dispute will be appearing, for example violation of work agreement by employers or employees. Based on Law no

13 of 2003, article 66, resolution of disputes should be as the vendor responsibilities. So, even the problems come from the workers, vendor should be ready to avoid and to solve.

2. 2. 6. Job Security

Policymakers are facing the crucial challenge of regulating a rapidly evolving labor market in the context of the globalized economy (ILO, 2011).. In globalized economy, almost all business sectors were driven to liberalism and getting to free labor market. Outsourcing as the product of labor market flexibility, makes a lot of implication related to employment security.

Job security is the probability that an individual will keep his or her job; a job with a high level of job security is such that a person with the job would have a small chance of becoming unemployed. (Wikipedia, 2011). Job security is the most narrowly defined concept: it is the security (of income) associated with having an employment relation as an employee (a job). Job security is a very clear-cut concept in the sense that it relates, at the level of the individual employee, to the current job and the security of being able to keep it. Employment security is a bit more 'vague' to the extent that it is not only related to the individual and, for a large part, deals with the future. Put in economic terms, job security is a private good and employment security is a collective good. (Dekker, 2010)

In outsourcing, job security is a big problem for both permanent and outsource workers itself (Budi Utoyo, 2010). It because they haunted with termination.

2. 2. 7. Termination

Termination of employment is the end of an employee's duration with an employer. Depending on the case, the decision may be made by the employee, the employer, or mutually agreed upon by both. There are two kinds of termination, i.e.: voluntary termination and involuntary termination (consists of dismissal and layoff). Voluntary termination (or quitting/resignation) is a decision made by the employee to leave the job. Dismissal is the employer's choice to let the employee leave, generally for a reason which is the fault of the employee. A layoff is usually not strictly related to personal performance, but instead due to economic cycles or the company's need to restructure itself, the firm itself is going out of business, or due to a change in the function of the employer (Wikipedia, 2010).

In the context of human resources outsourcing, termination are a natural phenomena. Due to the length of time that regulates the working relationship is a vendor with the user, then the worker has no power to regulate such employment agreement. Termination is an event that is not desired by the workers and employers. For terminated workers, the beginning of jobless despite life's difficulties have been given severance pay, pensions, and various other compensation from the vendor.

For employers, the termination are not desired by both employers and workers who have provided services for companies even have experience and special skills that are useful for companies, especially workers who assessed bail. Therefore, termination undesirable both from the workers and employers.

Priambada and Eka (2008) disagree with an outsource worker easy to hire and easy to dismiss because of cost efficiency and production factor. That statement is not true because the company will consider about dismissal in workers quality and professionalism. Not because the status of permanent, contract, or outsource workers.

2 . 3. Previous Research

Tim Divisi Riset, Lembaga Pendidikan dan Pembinaan Manajemen (2008), publish their research “Outsourcing”. This research studied about outsourcing and its problems in company perspectives. This publication found (1) percentages of the company that use outsourcing in their operations based on the cluster industries, (2) motives of the company that using outsourcing, (3) the problems of outsource in using, and (4) the success factors in outsource using. The results of this research are (1) the industry that used outsourcing mostly are banking industry, especially BUMN, (2) the highest motives to using outsourcing is the company want to focus on their core business, (3) the problems on outsourcing are: vendor choosing, disobeying of outsourcing regulations and management fees that cutted by vendors. At last, the factors that influenced outsourcing in practice are: commitment to use outsourcing, detail of job rules on work agreement, clear of the process, and update an agreement.

Uti Ilmu Royen (2009), Magister of Law UNDIP, wrote her thesis, “Perindungan Hukum terhadap Pekerja/Buruh Outsourcing (Studi Kasus di Kabupaten Ketapang)”. The goals of this study, are: (1) To analyze the implementation of Law No. 13 of 2003 about Employment in outsourcing practices at Ketapang. (2) To analyze the implementation of labor protection and conditions employment for workers of outsourcing. (3) To analyze the role of government in Ketapang protect the workers of outsourcing. The results of this study, among others: (1) the practice of outsourcing the delivery of some of the work to other companies through agreements in Ketapang, in general do not implement the provisions and outsourcing requirements as stipulated in the Law Number 13 of 2003, (2) the employment protection and working conditions as terms of employment, wage requirements, the requirements of time off work and overtime wages, social security requirements, work accident compensation, and safety requirements and health of workers is not provided in accordance with the regulations, laws and regulations, so that workers feel economically and socially disadvantaged, were treated unfairly and inhumanely before, during and after their work. (3) Escalation claims workers who feel exploited outsourcing and those with lower levels of well-being indicates that Role of District Government in providing legal protection of workers is less.

I . Gusti Bagus Jaya Usaha (2010) , Magister of Management UNDIP, wrote the thesis that titled "Dilema Outsourcing: Harapan dan Kenyataan". He wrote the outsourcing in practice on Jepara, Central Java. The goals of the study such as: (1) to analyze the actions of businessmen, outsourced workers, and SPSI about outsource

work system in their company, (2) analyze the rules of outsourcing, (3) analyze behavior of businessmen, workers, and SPSI, and (4) analyze the contribution of SPSI to resolve outsourcing problems. This research is qualitative research. The result of this study are: (1) outsourcing is helpful for the employers, (2) outsourcing benefit by the workers is not same as the employers (showed from the attitude of outsourced workers), and (3) by SPSI, outsourcing makes a new problems, that is legal issue that related to status of employees.

Another research were doing by Indrasari Tjandraningsih, Rina Herawati, and Suhadmadi (2010) that made a research “Diskriminatif dan Eksploitatif: Praktek Kerja Kontrak dan Outsourcing Buruh di Sektor Industri Metal di Indonesia”. This research finds: (1) deployment, and mechanism outsource and contract work system in metal industries (2) impact of the work relations between employers,outsourced workers, and unions in metal sectors, and (3) find the perspectives of employers, employees and union about flexible work regulation. This qualitative study, used three variables do find the first question, such as: wages, welfare, and involvement of outsourced workers in unions. The result of this study, shows contractual employment and labor outsourcing practices found under this survey reflect the essence of outsourcing practices that are more detrimental to laborers and more favorable or profitable to companies. There are highly different in wages and welfare that accepted by outsourced workers with contract and permanent workers.

CHAPTER III

RESEARCH METHODOLOGY

3.1. Research Methods

Business research is an organized, systematic, databased, critical, objective, scientific inquiry or investigation into a specific problem, undertaken with the purpose of finding answer or solution to it. (Sekaran, 2004). There are several kinds of methods in the study, one of that is a qualitative research method. Qualitative methodology according to Bogdan and Taylor (1975) in Moleong (2005) is defined as a research procedure that aims to collect and analyze the descriptive data in the form of written, verbal expressions of the people and their behavior can be observed.

Qualitative research is a tradition in the social scientist that is fundamentally dependent on human and their own observations and relate to these people by language and their mean.

On the other hand, qualitative research is research that produces analytical procedures that do not use statistical analysis procedures or quantification of other ways. This contrasts with quantitative research that requires statistical analysis procedures. The purpose of qualitative research itself is to collect data in natural settings, which will be used to formulate the theory through inductive analysis of the data.

Based on some views about qualitative research, then Moleong defines that qualitative research is research that aims to understand the phenomenon of what is experienced by research subjects such as behavior, perception, motivation, action, etc., holistically and with the way the description in the form of words and language, in a special context that naturally and by utilizing a variety of natural methods.

3.2. Exploratory Study

An exploratory study is undertaken when not much is known about the situation at hand, or when no information is available on how similar problems or research issues have been solved in the past (Sekaran, 2004). In such cases, extensive preliminary work needs to be done to gain familiarity with the phenomena in the situation, and understand what is occurring, before we develop a model and set up a rigorous design for comprehensive investigation.

In essence, exploratory studies are undertaken to better comprehend the nature of the problem, since very few studies might have been conducted in that area. Extensive interviews with many people might have to be undertaken to get a handle on the situation and to understand the phenomena. After obtaining a better understanding, more rigorous research can be proceed.

3.3. Study Location

The study was conducted in Semarang, Central Java Province. Semarang City is selected as the study area because the city is a center of industry and business, as well as the administrative center of the capital of Central Province. As with other major cities in Indonesia, the use of outsourcing as an option in the procurement workforce company, also rife in the city. In addition, quite a variety of industries in Semarang. Industry in Semarang not only engaged in the manufacturing sector, but also the service sector.

3.4. Research Subjects and Objects

The subject of this study includes population and sample. Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. A sample is a subset of the population. It comprises some members selected from the population. In other words, some, but not all, elements of the population would form the sample (Sekaran, 2004).

Since the implementation of in-depth interviews in qualitative research taking a long time, then the number of samples used is usually very limited. In this study, sampling was done by using purposive sampling, is sampling, which is based on research choices about aspects of what and who made a particular focus on the current situation and carried out continuously during the study. As the basis of sample is the party involved in outsourcing work system. Researchers will conduct early detection of an accurate sample selection with personal searches, such as asking a few questions as needed later, is flexible.

Based on sample basis, as for samples that are taken in a purposive, among others:

1. Workers/Employees Element

a. Outsourced workers

Taken from several people who work as outsourced workers in user company. The writer took five people with different job and different place to work as sample.

b. Workers Union

Workers Union, the organization which representative of many worker, have responsibilities to manage and to deliver workers aspiration. In this case, the writer take Serikat Pekerja Nasional (SPN) DPC Semarang Raya as the representative of Semarang workers.

2. Employers Element

a. Vendor Outsourcing Company

Vendor is a company who provide outsourced workers to another company. In this case, the writer took PT. Adita Farasjaya as the sample of vendor company.

b. Users Outsourcing Company

Users is a company that use outsource workers in their operation. The writer took two companies, among others:

- PT AP I, company that manage airport in Indonesia,
- International Bank HR that can not be mentioned, as an agreement between the writer and the bank manager

c. APINDO as representative of employers union

3. Government Element

To get the information of regulation and it implementation, also who responsible to industrial relationship system in region, the writer took government element (in this case Ministry of Labor and Manpower Kota Semarang).

Objects that observed are the concepts of outsourcing based on tripartite perspectives and the problems in practice.

3.5. Types and Sources of Data

The data used in this study, among others:

1. Primary data is data obtained from the field directly, either in the form of observations and interviews to the informant. In this case the primary data done with interviews, addressed to the respondent (employee outsourcing) that is the core of the research subjects.
2. Secondary data, if it contains the sense defined as data obtained from secondary sources, in this case other than those carried out directly, which can with supporting data.

3. 6. Data Collection Stage

The stages in the collection of data in a study, namely the orientation stage, exploration stage, and stage of member check.

1) Orientation

In this stage, conducted by researchers are doing resurveys to a location that will be studied. Researchers have dialogue with the workers, and researchers also doing study documentation and literature to see and record the necessary data in this study

2) Exploration

This stage is the stage of data collection on site. In this phase, researchers will collect data through observation and interviews.

3) Member checks

After the data obtained from the field, then the existing data is removed and carried to check the validity of data in accordance with the original source

3. 7. Data Collection Methods

3. 7. 1. Focus Group Discussion

Today, focus group interviews appeared in various forms in which the researchers modified the procedure to suit the needs of each. Needs to study basically aims to gather perceptions of each subject represented by each institution.

Group interview is essentially a qualitative data collection techniques that interview was guided by a moderator with either structured or unstructured, depending on the intent and purpose of the interview (Denzin & Lincoln (1994) in Moleong (2005)).

Focus groups can be used on any part of a research program. Stewart & Shamdasani (1990) in Moleong (2005) summarized the more common use of focus groups as follows:

1. Obtaining general background information about what topics are considered
2. Gather research hypotheses that can be given in other studies using a more quantitative approach
3. Encourage new ideas and creative concepts
4. Diagnose potential problems in a new program of service or product
5. Build an impression of the products, programs, services, institutions or other areas of concern
6. Learn how the respondents talked about the observed phenomena that can facilitate the quantitative research instrument

7. Interpret the results of previous qualitative research

This research technique known as Focus Group Discussion (Focus Group Discussion). The criteria in these focus group discussions, among others:

a . Selection of Participants and Speakers

Speakers in the focus group discussions, used as an inducement in groups in order to provide inspiration in the discussion. Speakers presented their views are represented respectively by part of the tripartite. In this focus group discussion, the writer chooses speaker from tripartite elements, i.e.: employers (vendors and users), employees, national union workers, and government.

Participants in the discussion group were the students concentration in Human Resource Management, Faculty of Economics, Diponegoro University, and students of the Faculty of Law, University of Diponegoro addition, there are also from academia are UNDIP FE lecturers, businessmen, and outsourcing workers as a sample of subjects.

b. Moderator / Interviewer

Who acted as moderator in focus group discussions are from academia, HRM Lecturer Faculty of Economics, Diponegoro University, namely (1) Dr. Suharnomo, SE, MSi, (2) Drs. Fuad Mas'ud, MIR and (3) Dra. Rini Nugraheni

In the implementation of focus group discussions, researchers do not address the moderator in conducting the interview, but provides an overview of the views or what are the points that must be excavated in the discussion

c. Data Collection

Data was collected using: (1) Video records, where the data generated in the video record is more accurate than the tape record. Researchers can see the gesture and expression of the speaker in presenting the material and views on outsourcing. (2) Making Notes, in this case, which serves as a record maker is the researcher himself. Note contains phrases and statements put forward by the participants when the question and answer session and the speaker in presenting material and answering questions.

3. 7. 2. Documentation

The document has long been used in research as a source of data because in many cases the document as data source used to test, interpret and even predict (Moleong, 2007). According to Guba and Lincoln in Moleong (2007), documents used for research purposes, for reasons that can be accounted for as: (1) Documents and records used as a source of stable, wealthy, and encouraged, (2) Useful as evidence for a test, (3) Both are useful and appropriate to qualitative research because it is natural, according to the context, was born, and in context. (4) Records of relatively inexpensive and not difficult to obtain, but the document must be sought and found

(5) both are non-reactive so hard to find with the engineering study of the content. (6) The assessment of the content will open up opportunities to further expand knowledge of something that is being investigated.

Documentation methods used to collect data about the implementation of industrial relations, represented by two actors in the tripartite, among others: (1) government as an intermediary between workers and employers, among other data in the system of dispute resolution outsourcing work. (2) Company providing labor services, namely data on compensation, implementation of partnerships.

Documentation used to study the various sources of documentation especially that related to the tripartite and supported resources representative.

3. 7. 3. Observation

Observation is one of the most important research techniques. The observations are used for various reasons. According to Guba and Lilcoln (1981) in Moleong (2005), there are several reasons why the observations used in qualitative research:

- a. First, the observation technique based on direct experience. Observation is the best teacher, and is a powerful tool to test the truth. Also an acquired lack of convincing data, researchers usually want to ask the subject, but because he wanted to get believe about the validity of such data. The way taken is observing itself, which means an immediate event.
- b. Second, the observation techniques also allows viewing and observing himself, then record the behaviors and events as occurred in the real situation.

- c. Third, the observation allows the researcher recorded events in a situation related to the knowledge of proportional and direct knowledge gained from the data.
- d. Fourth, there is often no doubt in the researcher, and the fear of a mistaken or biased data. Mistakes probabilities occurred because the less able to recall events or results of interviews, the distance between the researcher and the interviewee, or because the emotional reaction to the researcher. The best way to check the confidence that data is by way of utilizing observation.
- e. Fifth, the observation technique allows researchers are able to understand complex situations. Complicated situation may occur if researchers want to consider some behavior as well. So the observation can be a powerful tool for complex situations and to complex behavior.
- f. Six, in certain cases where other communication techniques is not possible, observation becomes a useful tool.

Observations can be classified on the observation by way of participating and not participating. On observation without participation. Observers only do one function, namely make observations. Observer role and perform two roles at once, namely as an observer and also become an official member of the group were observed.

Susan Stainback (1988) in Sugiyono (2009), divides four kind of observation based on the level of participation, such as:

1. Passive participation, means the research is present at the scene of action but does not interact or participate
2. Moderate participation, means that the researcher maintains a balance between being insider and being outsider
3. Active participation means that the researcher generally does what others in the setting do.
4. Complete participation, means the research is a natural level. This is the highest level of involvement. Thus this kind of observation, researcher is unseen as researcher by the object.

In this case, the observer performs as the moderate participant, that the observer joins with some of object activity, but still in the border of observer. These kinds of observation choose for gain the equality of each element in observation object.

3. 7. 4. Interview

Interview is one of the favorite methodologies for qualitative researchers. The interview is a conversation with a specific purpose (Moleong, 2005). The conversation was conducted by two parties, namely the interviewer that ask questions and interviewee which gives the answer to that question. Interviewing is a form of conversation, ask questions and hear art (Denzim and Yvonna, 2009). Interview is not a neutral device in producing reality. In this context, various answers phrased. This

method is highly influenced by personal characteristics of the researchers, including race, social class, ethnicity, and gender.

There are a variety of distribution types of interviews. Patton (1987) in Moleong (2005), classified interview as follows:

1) Interviews Informal Discussion

In this type of interview the question posed is very dependent on the interviewer's own, so it relies on spontaneity in asking question to interviewee. Relationship with the interviewer is in the ordinary atmosphere of interviewees, reasonable, while the answering the questions, walk like normal conversation in daily life. Even the good time, interviewees not know or do not realize that he is being interviewed

2) The approach uses a general interview guide

Type this interview requires the interviewer to frame and outline the main points of which are formulated not need to be asked in sequence. Similarly to use in a particular case need not be done previously. Implementation of the interview and the sequencing of questions tailored to the circumstances of respondents in the context of the actual interview.

3) Interviews open standard

This interview is an interview type that uses a set of standard questions. The order of questions, his words and manner of presentation is same for each respondent. Flexibility held deepening questions (probing) is limited, and it relies on interviews and skills interviewer.

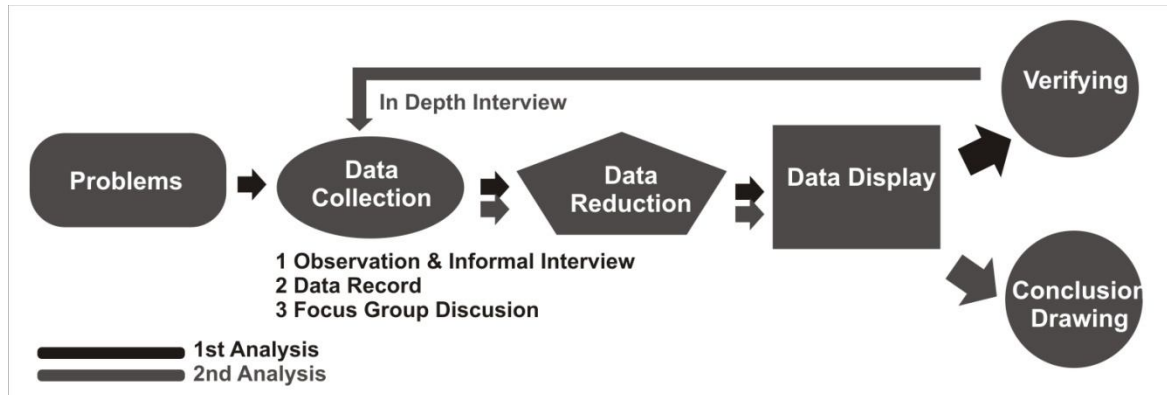
In this study, researcher conducted interviews with the technical approach of using a general interview guide, where the technique is more flexible in its implementation, but still focus on the outline of the course materials will be requested. This study also provide in-depth interview as the method of interview.

Boyce and Neale (2006) define in-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation. For example, we might ask participants, staff, and others associated with a program about their experiences and expectations related to the program, the thoughts they have concerning program operations, processes, and outcomes, and about any changes they perceive in themselves as a result of their involvement in the program.

3. 8. Data Analysis Techniques

The data analysis technique is the process of setting the order of data, organizing that leads to a pattern, category, and unit basic outline. In qualitative research, there is no single approach in data analysis.

Miles and Huberman (1984) in Sugiyono (2009), suggests that activity in the qualitative data analysis conducted interactively and continuously until completed, so the data is saturated. Activity in the analysis of data in question, namely: data reduction, data display, and conclusion drawing / verification.



Picture 3.1.
Data Analysis Technique

3.8.1. Data Reduction

Data obtained from the field is quite a lot, for it then it should be noted in a thorough and detailed. The reduction means that summarize the data, select basic things; focus on things that are important, look for themes and patterns (Sugiyono, 2009). Thus, the reduced data will provide a clearer picture, and facilitate researchers to perform further data, and search if necessary.

In reducing the data, each researcher will be guided by the goals achieved. The main purpose of qualitative research is on the findings. Therefore, if researchers in conducting research to find everything that are considered alien, has no pattern, that is precisely what should be the concern of researchers in performing data reduction.

3.8.2. Display data

In qualitative research, data presentation can be done in the form of brief descriptions, charts, relationships between categories, flowcharts, and the like. The most often used to present data in qualitative research is by nature narrative text.

3.8.3. Validity of data

The researchers tested the validity of the data using triangulation technique which checks the validity of data that uses something other than checking or data for purposes of comparison with the data. Triangulation technique is the most widely used technique is to check through other sources.

According Moleong (2007), triangulation is a technique that utilizes the data validity checking something else, outside of the data for checking purposes or for purposes of comparison data. Triangulation technique most widely used is the examination through other sources. Denzim in Moleong (2007), distinguishes four kinds of triangulation, such as: checking the user takes advantage of sources, methods, investigators, and theories.

3. 9. Validity and Reliability of Qualitative Research

Test the validity of data in research, often only focused on validity and reliability. Validity is the degree of accuracy between data happen to the object of research with data that can be reported by researchers (Sugiyono, 2009). Thus, valid data is data that did not differ between the data reported by researchers with data that

actually occur on the object of research. Reliability regarding the degree of consistency and stability of data or findings. Because the reliability associated with the degree of consistency, so if there are other researchers to repeat or replicate the study at the same object by the same method, it will generate the same data.

Susan Stainback (1988) in Sugiyono (2009) states that quantitative research places more emphasis on reliability, whereas qualitative research is more emphasis on the aspect of validity. In qualitative research, findings or data that otherwise valid if there is no difference between the reported researchers with what actually happens in the object being studied. But keep in mind that the truth of the reality of the data by qualitative research is not singular, but plural and depends on human construction, molded in one as a result of mental processes of individuals with different background. Therefore, the notion of reliability in qualitative research differs from quantitative research because the nature of the compound / double / dynamic is always changing so no one consistent and repeated as before.

3.9.1. Credibility test

There are various ways of testing the credibility of the data, among others:

1) Extended observation

With the extension of the observation means that the researcher returned to the field, make observations, interviews again, so data source has ever encountered and new. By extension of this observation means that the relationship of researchers with resource persons will be more established

rapport, the more familiar (no longer distance), the more open, trusting each other so that no information is hidden again.

In an extension of the observation data separately test the credibility of this study, should focus on testing against the data obtained, whether the data obtained it after checking back in the field is true or not, change it or not. If after returning to the field means that credible data is correct, then the extension of time of observation may be terminated.

2) Increase Persistence

Improving persistence means to make observations more closely and continuously. In this way, the certainty of data and a sequence of events will be recorded exactly and systematically.

As the stock of researchers to increase the persistence is by reading the various reference books and research results or documentation associated with the investigated finding. By reading this then researchers will be more extensive insights and sharp, so it can be used to examine the recorded data is correct / reliable or not.

3) Triangulation

Triangulation in this test of credibility is defined as the checking of data from various sources in various ways, and different time (Sugiyono, 2009). There are three types of triangulation including: triangulation of sources, triangulation techniques, and triangulation of time.

In this research, triangulation of sources is using. Triangulation of sources to test the credibility of the data is done by checking the data obtained through various sources. Of the three sources are, can not be averaged as in quantitative research, but described, categorized, where the same view, different, and where the specifics of the three sources of data. Data that has been analyzed by researchers to produce a conclusion subsequently requested an agreement (member check) with three sources of data.

4) Using Reference Materials

What is meant by reference here is to prove the existence of supporting data that has been discovered by researchers. For example, the interview should be supported by a taped interview. Data on human interaction or a picture of a situation needs to be supported by photographs. In a research report, should the data presented should be complemented with photographs or authentic document, making it more reliable.

3.9.2. Reliability Test

In qualitative research, dependability is reliability (Sugiyono, 2009). A reliable study is one where others can repeat / replicate the research process. In qualitative research, dependability tests conducted by an audit of the entire research process. Audit conducted by independent auditors to audit or supervising all activities of researchers in the study. Starting from how researchers determining the problem / focus, entering the field, determine the source of data, data analysis, test the validity of data, to make conclusions.

CHAPTER IV

RESULT AND DISCUSSION

4 . 1. Description of the Object

Semarang is the capital of Central Java. It has a population of 1.433.699 people and the total labor force 829,990 people. Besides, being the capital of government, Semarang became the center economic of Semarang in Central Java. The economy in Semarang, depends on the trade sector (35.45%), industry (31.69%),