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## **New Method Practice Business Process Outsourcing and Manpower Outsourcing the Banking Sector in Indonesia**

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### ***Abstract:***

*Outsourcing in Indonesia includes the provision of labor (MPO) and contract of work (BPO). MPO Policy only applies only to five types of course work, while less applied BPO organization for regulatory considerations that are difficult and costs more expensive. In this paper Implemented of MPO, also economically practical implementation. But still, there debate to determine the limits of the core business and non-core which raises problems in the regulation of outsourcing. BPO considered as a solution to the MPO limitations. For banking and financial sector, outsourcing is a business strategy in a competitive era, fast and flexible. Labor regulations that there should encourage the growth of the financial industry and bank healthy and active while also ensuring the protection of labor and real basic rights and the rights of other workers.*

***Keywords:*** MPO Policy, Labor Regulation, Outsourcing work.

### **1. Introduction**

Nowadays the advancement of information, communication and transportation technologies such as improvement of the global economy that provides opportunities for companies to make outsourcing their business activities (Guo, Song, & Wang, 2010). Mankiw (2004). Stated outsourcing is a growing phenomenon and beneficial to the economy in the long term. Outsourcing is a management approach to obtain the efficiency of the activities of organizations exist. Stevenson and Spring (2007) view that outsourcing was speeding up the supply chain. Besides improving the competence, outsourcing also causes the team to focus on core activities. Submission to external vendor strategy is expanding the company's resources. McCharty (2004). Explained outsourcing not only buy products or services from foreign suppliers but also transfer responsibility for business functions physically. Entrekin & Court (2001);

### **2. Conducted Outsourcing to Indonesia Regulation**

Outsourcing system is not new in Indonesia. This system is have implemented since the Dutch colonial era through the use of contract labor in various plantations on the island of Sumatra and Java. In the reign of the new order (1965-1998), the form of outsourcing is done through the provision of incentives ease permit business and business activities to companies in the bonded zones (export processing zones).

The goal is that the business world can meet the target export market when it was booming (Saptorini and Suryomenggolo, 2007). During the period 1990-1999, when the implementation of the outsourcing activities of the contract of work starting to bloom in the bonded area.

Some of the rules on the implementation of outsourcing circulars issued by the Minister Labour No. 12 / SE / MEN / 1990 on Corporate Responsibility Giving Wholesale Employment and Manpower Minister Regulation No. 02 / Men / 1993 on workplace Agreements Certain Time. Since then, labor relations systems outsourcing legally be part of the employment policy in Indonesia and is translated as "Of contracting some of the work to other companies. On progress, especially after formal legally recognized in Law No. 13 of 2003 about workers, the implementation of the labor relations system more widespread outsourcing and growing rapidly based on the labor laws of the Republic of Indonesia in 2003, employers may appoint permanent workers, contract employees, and outsourcing. Worker the contract can be permanent or temporary contracts. The practice of outsourcing in Indonesia legal and otherwise expressly provided in articles 65 and 66. There are two types of outsourcing that be do outsourced labor or contract of work. The term outsourcing of work is no different with human resource outsourcing (HRO) and workforce outsourcing (MPO). Likewise, the term of a contract of work synonymous with the business process outsourcing (BPO). As the practitioners business, trade unions and labor researchers found many violations of regulations by the organization and the vendor (Saefuloh, 2011). In labor market conditions Indonesian workers were oversupply and the dominance of unskilled labor; the practice outsourcing implies a weakening of workers' bargaining power (Nawawi, 2013).

Heywood (2001); Lee (2008); Young (2007) states that if an organization wants to survive must keep the speed, flexibility and agile. By outsourcing, organizations can quickly make adjustments relating to changes in the market, competition as well as the ability 'organizations. To achieve this organization should focus on the primary objectives and core competencies and submit non-core functions to external suppliers. Organizations must be able, which defines the work to done in-house and which submitted to external vendors. Some of the factors driving the outsourcing policy, among others. Abraham and Taylor (1993) there are three reasons why outsourcing (i) Savings from payroll and benefit payments, (ii) transfers of uncertainty to the vendor, and (iii) access to specialized expertise. Another factor driving outsourcing is a limited resource. Organizations do not always have or control of certain resources and get it on the market by way of agreement.

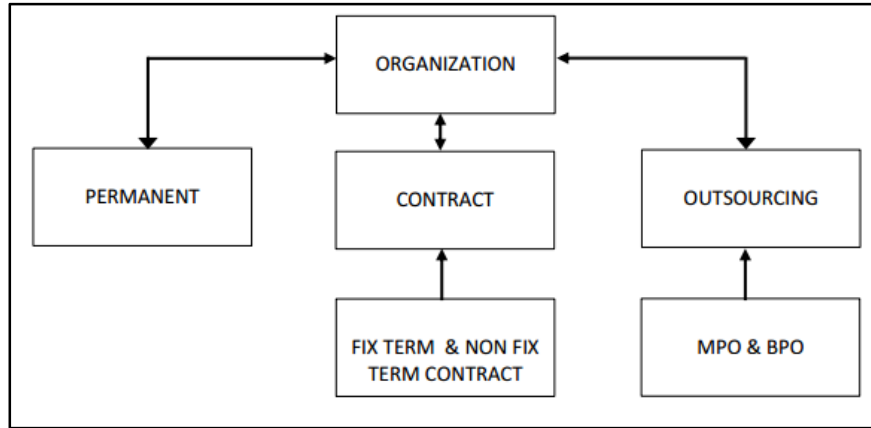


Figure 1: Working Relationship Status In Labor Law No. 13 of 2003

To clarify the rules outsourcing in Indonesia Ministry of Man power issued the decree number 19 of 2012 that strengthen the implementation of business process outsourcing (BPO) as well as manpower outsourcing (MPO) with the terms and conditions in more detail. Ru and MPO scope only cover five types of work i.e., cleaning, catering, security, transport and supporting services to the oil and mining industries (Kemennaketrans, 2012). This amount is far less when compared with Japan and South Korea that allow outsourcing include 23 types of work.

No	Scopes Of Work
1	Cleaning Service
2	Cathering Of Staff
3	Security Officers
4	Transportation
5	Surpoting Service oil and mining industri

Table 1: Scope of Work for Man Power Outsourcing.

Restrictions on five types of work aim to protect workers from arbitrary action, providing job security and employment opportunities. It is inevitable outsourcing practices distorted the meaning and tends to be associated with the practice of low wages, lack of benefits and rates are low (Dube and Kaplan, 2008), hence the government made efforts to protect workers and ensure workers' rights are acquired in a dignified and humane conditions in context industrial relations and equal justice (Harvard, 2001). This regulation also encourages organizations do not easily submit work to an external vendor jobs that are subject only to considerations of efficiency. While in the BPO, the deal is to separate from the main activities of both management and operational organization, using a command directly or indirectly, is supporting activities of the company as a whole and does not inhibit the production process.

### 3. Outsourcing Practice in Banking Sector in Indonesia

Since a few decades ago, outsourcing has to be implemented in Indonesia and Growing rapidly along with the development of the national economy. Especially in the financial and banking sector. As a strategic sector, the growth of the banking and finance industry in pushing many factors one of which is the human resource capacity of the organization. As mentioned in the PwC report that the rate of labor turnover in the banking industry in Indonesia reached 10%, ideally no more than 5%. The turnover occurred for reasons of moving to another organization but remain in the banking sector that offers a level of higher wages or a better career. Requests for the additional workforce in the banking sector is expected to reach 25,000 people. Referring to information from the Association of Business Outsourcing Indonesia (ABADI) that the amount of labor outsourcing in the banking sector currently reaches 150 thousand to 200 thousand people, and that number will continue to grow in line with the implementation of the Asean Economic Community (Komara, Mardanugraha and Sihombing, 2015),

Organizational resources are not always owned and controlled, but the organization may have it on the market by way of contract (Rodriguez, 2006). Contract form of human resources in the market may take the form of labor supply (MPO), and the work is the bulk (BPO). Knowledge, expertise and capabilities of the MPO and BPO contribute to the formation of the company's unique

capabilities. Internally the organization must be built; it can obtain it from external vendors (Marler, Barringer, & Milkovich, 2002). Some reasons for the use of MPO and BPO are considerations of efficiency, flexibility to changes in the economy, competition, and limited resources. Outsourcing decisions should be made selectively or partially, in the short and long term, transitional or general, one or more vendors (Troacă & Bodislav, 2012). But apparently, any decision which will affect the organization implemented worker status (Belso, 2010).

#### 4. Man Power Outsourcing Practices on Banking Sector in Indonesia

Labor is an integral part of the business process, work at the site of the organization while industrial relations rather than to the organization (ILO, 2003). From the perspective of vendors, there are three aspects that must be done and also the responsibility of the provider, the process of recruitment, supervision of work and employment risks. Recruitment of workers to make vendor independently or diversion of the organization. This research happens when the workers' contract has ended, and employees are willing in the switch as outsourced workers. Transfer of employees of the organization is outsourced workers an advantage for vendors without the need to waste time and costs. The selection process is still being done to reduce the risk. In agreement, MPO contract pricing structure includes three main points, namely (i) wages, (ii) benefits and (iii) profit. The salary rate refers to the minimum at the level of the minimum wage, while the benefits are normative include health benefits, employment, benefits the big day (Hadiputranto, 2015). General provisions in the employment contract covering the rights and obligations, the term of the contract, the responsibility, the causes and risks of contract termination.

Provisions wage rate should not be lower minimum wage levels this case to ensure that workers must earn a decent wage. Such guarantees to eliminate the negative impression outsourcing is synonymous with low wages (Abraham & Taylor, 1996) as well as benefits tend to be lower for outsourced workers. Bentolila (2011) also explains that the contract workers regular paid jobs means less with little access to the benefits of training are limited, and the risks are high dismissal. Munch and Skaksen (2005) reported that outsourcing affects the wages of skilled labor and unskilled. Feenstra and Hanson (2001) stated that the outsourcing led to inequality of salaries for unskilled labor.

MPO wage level in the financial and banking sector as well as other areas determined by agreement between the organization and the vendor. This research means that the salary level can be fixed by the agency or by the proposed vendor nor the outcome of negotiations between the organization and the vendor as outlined in the cooperative agreement.

Each contract workers should enjoy protection from arbitrary or uncertainty (job insecurity). Uncertainty can arise from the terms of the contract, wages and job security. In such cases the employee entitled to a severance payment in the amount determined by tenure that has undertaken (Hadiputranto, 2015). In practice, severance payment provision rarely implemented, or not all vendors do. Vendors that provide severance pay if included in agreement with the organization. Conditions tenure

outsourcing for three years or a maximum of two times the extension of employment. From the viewpoint of the regulation after three years of the organization must decide whether to pull as permanent or end the relationship work. In practice, based on the consideration of membership and benefits, organizations continue to be employed beyond the provisions of the maximum working period. The termination of the contract earlier as also found in more contract employees due to the integrity and performance considerations.

NO	Points	Criteria	Alternatif Criteria
1	Recruitment	Do Vendors	Diversion of the organization
2	Selections	Do Vendors	Part of the process involves the organization
3	Salaries	Based on Minimum Salaries	Under an agreement between the vendor with the organization
4	Benefit	Health and employment	Incentives follow organizational policies
5	Performances Assessment	Vendor Performances and workers	
6	Severance Payment	Don't have	Supplied Organizations
7	Supervision	Do Vendors	Involving Organizations
8	Risk	Borne Vendor	Vendors And Organizations
9	Termination of Contracts	Expire simultaneously with the contract agreement	Pulled into permanent
10	Profitability	Based on the percentage of minimum wage	Based on the percentage of the total cost
11	Availability of labor and facilities	Supplied by organization	Provided by vendor

Table 2: Responsibilities of Vendor MPO

Competitive rates of profit have caused the growth of the outsourcing industry is growing rapidly. Profit is calculated based on a percentage of wages MPO behavior but others count of the amount of the total cost of MPO. Risks also affect the level of profit, the greater the risk, the greater the benefit is determined (Brigham & Houston, 2001).

Impact assessment on the extension or termination of the contract. Elements of the integrated assessment include compliance with the terms of employment, availability of labor, administration, supervision, actual performance, responsibility, coordination and so forth. Usually the bad judgment, organizations tend to choose oPractice Business Process Outsourcing On Banking Sector in Indonesia Currently, the role of liberalization and global economy makes BPO as a trend in various industries. Consideration of economies of scale, the difference between cost and ability to achieve the desired level of efficiency that the reason for the development of BPO (Agndal & Nordin, 2009). A business process is a set of activities and tasks and information transformation which ended in the creation of products or services (Harmon, 2003). In BPO, the vendor's office into back office organization. The vendor has given the responsibility for managing a series of business processes of the organization, such as call centers, emergency hotline, claim management, helpdesk, the data management, document processing and storage, financial services (banks and insurance), payroll, auditing, accounting, travel management systems , various logistics and information systems services. Business activities of the organization (client) conducted vendor as a process (Sparrow, 2003). Therefore BPO providers need to have a safe and stable capability.

BPO process consists of six stages: assessment, preparation, evaluating, commitment, transition and transformation and optimizing (Deloitte, 2013). The process of recruitment and staffing in the BPO entirely the responsibility of the vendor. BPO was freeing the use of internal resources and organizations involved in the governance of the organization of labor (Chakrabarty, 2007). Behavior BPO wages for specific occupations and skill-based (skilled) determined by agreement with the employer and higher than the MPO. All workers in the BPO should have appropriate competence in the field; this means jobs in BPO is a specific job and only done by those who have specialized expertise as well. Eg information technology outsourcing can only perform by the BPO vendors who have competence in that field. Referring to the general provisions, the terms BPO should ensure the protection of labor. Provision of benefits in the form of non-monetary or also referred to as fringe benefits such as health care, employment, leave, and sick leave, pension, and legal aid are one form of labor protection. ther vendors and end cooperation simultaneously with the expiration of the contract.

No	Point	Responsibles
1	Recruitment & Selection	Performed by the vendor.
2	The level of wages / salaries	Under an agreement between workers and employers.
3	Benefit for workers	More varied and larger value in accordance with an agreement between the workers and vendors
4	Work relationship	Permanent or contract
5	Performance assessment	Quality and service vendors
6	Risk	borne vendor
7	Profitability	Based on the value of the contract
8	Infrastructure and working tools	Provided by vendor

Table 3: Responsibilities BPO Vendor

PBO practice on banking and financial sector is relatively very small compared with the MPO. IT Outsourcing, Cash Delivery, EDC Merchant service is the most common example was found. Supervision of the outsourced activities are things to be done by the regulators, ensure investments keep growing but on the other side with good welfare remains guaranteed. Competence supervisors at the central and regional levels must be competent in carrying out supervision and regulation (Apindo, 2013). Unattended deviation outsourcing will result in losses for the workers, but the rules are rigid and do not encourage the growth of massive industrialization will lead to the economic downturn that affects the workers themselves. The government should see that outsourcing is a step that is more active, dynamic and improves competitiveness of companies in global competition.

## 5. Conclusion

Outsourcing is growing rapidly in Indonesia, particularly in the financial and banking sector. MPO practice is more developed compared to BPO, but only limited to the five types of jobs. MPO restrictions only on five types of work need not be done if the supervision is made in full, professional and consistent. BPO is a solution of MPO limitations and in accordance with the needs of the banking and finance industry that is fast, flexible, agile and competitive. Banking and financial sector is capital-intensive industries and high regulated, labor policy applied kerenanya very influential on the development of the banking industry. Regulation of outsourcing in the banking sector should encourage the growth of BPO as a competitive strategy that is effective, dynamic and improving organizational competitiveness in the global market. BPO is a vendor that reflects the character of professional and ensure the protection of labor.

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