

Model of Collective Bargaining for Productivity Improvement “A case study from indonesia manufactruring company”

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ABSTRACT: *The main purpose of this paper is to gain in-depth understanding about Collective Bargaining (CB) practices in Indonesia manufacturing company. The research is taken place in a largest automotive Manufacturing company in Indonesia that had succed improving its productivity and this study tries to build its model through its bargaining agreement practices.*

Beardwell, Holden & Claydon (2014) model is used as a theoretical framework in analyzing phenomena and then is developed in finding the social themes behind it.

The study uses qualitative approach by adopting case study method that was suggested by Yin (2012). Data is collected by using observations, document analysis, and in-depth interviews conducted formally and informally by using snowball sampling techniques. Data are analyzed as it is suggested by Huberman & Miles (2009).

The study found that reasons behind a proper CB policies and practices between union and management are both of parties: (a) stand for government regulation and follows the rules; (b) try to understand each other and hold commitment to cooperate as they have signed in Collective Bargaining Agreement (CBA) and (c) denying political interest in conducting CB and focus only on company productivity. Further data analysis found out that these phenomena are grounded from its corporate business value about people and also company policy about its production system.

The study shows that the key elements in practicing collective bargaining agreements that lead to productivity improvement is not determine how strong is the power, but lies upon how its corporate business values about its employees and what system the company adopt to produce its product.

Key words: *Collective Bargaining, Corporate Business Value, Production System, Productivity Improvement*

1. INTRODUCTION

CB is one of an industrial instrument for unions to sound their ideas and needs to help management reach corporates performances (Luqman et al., 2012). CB can also functions to be particularly suitable for laying down requirements with respect to working conditions and the work environment in an enterprise (Alli, 2008). By providing this instrument, unions can negotiate everything to help management reaching its targets without sacrificing its workers interests. CB is importat to solve developing different perspectives that exist between management and its workers in company (Mynat, 2009). As economic rules, management tend to

decrease every cost and increase its return by reducing every expense and since workers pays are belong to expense, it also have to be reduced. On the contrary, workers also demands suitable pays, work safety and other work conditions to support them reaching their peak performances. These different point of views are not rare create conflicts that can lead to make workers go on strikes. As it has been found through some studies, conflicts in organizations are usually caused by management failure to understand its workers and vice versa (Luqman, 2012, Mynat, 2009). In order to gain a mutual understanding, both parties can uses CB as a communication channel for both of them to solve any problems relate with those issues.

CB begins to develop formally in Indonesia through Law No. 13/2003 on Manpower which encouraged employers and unions in unionised firms to negotiate a collective labour agreement. This law, is streghten by Ministerial Decision No. 48/MEN/IV/2004 on Procedures for Making and Legalising Company Regulations and Collective Labour Agreements, which force collective agreement could be recognised at the company level and should be renewed every two years. When both parties fail to reach agreements, either party could bring the case before the industrial relations court with a risk of compulsory arbitration being imposed on both parties (Ford & Sirait, 2016). Even under this law, national work conditions do not improved yet since every “Peringatan Hari Buruh” (Mayday Celebration) thousands workers through their unions go on strike demanding to these work conditions improvements. One of unions that choose not to join this strike is from PT. Toyota Motor Manufacturing Indonesia, tbk (PT TMMIN, tbk). In order to show workers solidarity form, sometimes, the union sends their delegation to join the strike. This facts implied that CB practices on this company has run well.

PT. Toyota Motor Manufacturing Indonesia tbk (PT TMMIN, tbk) is an Indonesia-Japan joint venture manufacuring corporate that produce automotive and its parts with label Toyota. Its products are not used for national automotive consumption, but also for export purposes. It was firstly operated 1989 and grows as a leading automotive manufacuring corporate nowadays. Recently, it has 9.200 employees and has 5 plants that spread in 5 different areas. All of its employees joins union that is named as “Serikat Pekerja Logam, Elektronik, dan Mesin” (Federation of Metal, Electronic, and Machine Workers Union) PT. TMMIN that affiliate to Serikat Pekerja

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Seluruh Indonesia (SPSI) (All-Indonesian Workers Unions). It is properly registered trade union and working for well being of common labor in the organization.

As it is reported by Manpower Ministry, since this company was operated, its employees never go on strike demanding work conditions improvement. Besides, the company is noted also has zero work accident for tens years. This conditions make the company's performance grow up constantly in last decade and become the largest automotive producers in Indonesia. One of reasons for this achievement is their ability to implement best practices in bargaining agreement that could accomodate both parties interests.

2. LITERATURE REVIEW

The term CB describe the process of agreeing terms and conditions of employment through representatives of employers (and possibly their associations) and representatives of employees (and probably their unions). Both representatives of employers and employees meet together to determine and regulate decisions about substantive and procedural matters within the employment relationship. The outcome of this process is the called CB (Sokoh, 2018). The outcome is an agreement between union and management in written form (Katz, Kochan, & Colvin, 2008). In Oxford approach point of view, the rule of the market system are viewed as being determined through the rule making process of CB, which is regarded as a political institution, involving a power relationships between worker and the management (Mahapatro, 2010). Since management has a political power to determine the results, the level of bargaining is usually not determined by employees who join a union for collective bargaining, but by the firms themselves which decide on this issue (Lamarche, 2015). Therefore in reaching the best results, both party has to do bargaining process and try to find out win-win solution.

The main principal purpose of CB is to settle and determine terms and conditions of employment. It is the task of trade unions leaders to practice CB in order to ensure that the terms and conditions of employment given to their members are adequate. The reasons behind this CB is the apparent imbalance of power between the employees and employer. This condition makes workers to come together to balance employers power (Sokoh, 2018). By practicing good CB, both parties interests can be accomodated fairly and it will lead to harmony relationship between employees and employer that could increase company performance. On the contrary, when both parties fail to reach an agreement, it can create conflicts that has an impact to decrease company productions.

As it is stated before, CB can be conducted by determining substantive and procedural matters within the employment relationship between employers and employee. Both parties has to try to hear and accomodate each other demands. In order to force its rival to accept their demand, each party, then, using negotiation process. Therefore, bargaining is different from negotiation process. The bargaining process is where both parties make offerings, counter offerings, and then make a concensus in solving problems (George & Jones, 2012). Negotiation emphasizes as a process where each party decide what should be given and received in bargaining process (Wagner & Hollenbeck,

2010). It implies that one aspect to conduct bargaining is through negotiation process. The result of best practices bargaining process has to be balance for one party's success should not be achieved at the expense of the other.

CB is one of the processes of industrial relations. It could be viewed as a means of industrial jurisprudence as well as a form of industrial democracy. It is a means for resolving workplace conflict between labour and management as well as the determination of terms and conditions of employment (Sokoh, 2018). Terms and conditions that are to be bargained and negotiated include wages/salaries, rates of pay, hours of work and other conditions of employment (Lamarche, 2015)

Beardwell, Holden & Claydon (2014) propose a model to understand industrial relation in comprehensive view that has a great impact on practical bargaining process as it seems below:

Figure1. A model of the shift to human resource management



The picture above shows that main reason behind industrial relation practices are company's believes and assumptions about works and workers. It leads line managers' iniation to treat theirs workers which include how they treat workers in conducting bargaining process. These believes and assumptions also effect workers attitude and behavior in conducting production process that lead to competitive performance. Since company has a greater power to decide what should be offered to its workers, the above model seems to be suitable to apply in understanding CB practices. As it has been practiced before in Indonesia, it was not rare that employer's organizations were formed just to fulfill government regulation sake. In practices, the workers have no power what to decide to improve their life condition. Union seems to be powerless in deciding to improve their quality of life since management has an absolute power to control what is best for the company. This condition is different form what has been practiced in the company. The company has been succed to implement best practice of CB and it is an interesting to study.

3. METHODOLOGY

This research used qualitative approach emphasizes on social natural phenomena that had to be covered up. Methodology that was used in this research is unobstrusiveness observations, document analysis, and formal and informal interviews. Interviews were conducted from various sources that grew up as a snow ball sampling.



The key informan is the company Industrial Relation Director and union leader. Trustworthiness data are tested by using triangulations, peer de briefeings, and focus group discussions. Data are analyzed as it is suggested by Huberman & Miles (2009) that consist of data collection, display data, reduction data and take conclusions.

4. FINDING AND DISCUSSIONS:

4.1 CB practices in PT TMMIN, tbk

Management PT TMMIN, tbk permit its employees to build union that affiliate to “Federasi Serikat Pekerja Logam, Elektronik dan Mesin” (Federation of Metal, Electronic and Machine Workers Union) that belongs to Serikat Pekerja Seluruh Indonesia (Indonesian Workers Union). This union is viewed by management as representative of its employees and uses CB not only to solve employees problems in all levels but also used to to increase company performance in two areas: Cost Reduction Program (CRP) and Customer Satisfactions (CS). Therefore, as it is admitted by union and management, in conducting industrial relations, both parties agree to conduct industrial problems in three forms: (a) communication; (b) negosiation; and (c) dispute settlement.

Communication forms are arranged variously. In between group of workers, there is 5 minutes talks program which means that group of workers have a chance to express their techniqally problems and their ideas to solve problems they are facing in conducting daily activities. Other communication form is well known as bipartit forum as it was ordered by Indonesia Ministry of Manpower Regulation No 32/MEN/XII/2008 about that order every company to build up “Lembaga Kerja Sama” (cooperation institution) between employee and employers. Uniquely, long time before this regulation was published, PT. TMMIN, tbk has had the same institution that accomodate employee and employer representation in a coordinating institution that is called “Komite Produktivitas” (Productivity Committee). As it was agreed legally by both parties, the purposes of this committe are understanding and conducting regulations in the company include: (a) developing participation and work motivation; (b) Increasing work productivity; (c) maintaining and improving communication and consultancy between management and union; (d) upporting and supervising discipline and work ethics; and (e) building open communication in the company (PT. TMMIN, 2017)

All employees problems about work conditions are communicated in this “Komite Produktivitas/Forum Bipartit”. Beside discussing work condition problems and the ways to solve them, this institution also is used by both parties to discuss methods or steps to improve CRP and CS periodically. The activities of “Komite Produktivitas” or bipartit forum are fully funded by company.

Negotiation is conducted every two years. As it is ordered by the law, the result of negotiations has to be written as “Perjanjian Kerja Bersama/PKB” (CB Agreement) and has to be renewal every two years. Consequently, there is a chance for union to negotiate with management to demand its members voices every two years. The results are signed formally and both of parties commit to stands for it for daily activities conducts. Areas that are negotiated include: (1) recognition union and company’s right and the company’s

obligation to provide facilities and supports for union in conducting its role; (2) work relation, such as new workers acceptances, expatriat workers, education and training program, performance appraisal, workers class and category, mutation and rotation, promotion and placement to other companies; (3) working time; (4) base salaries and other benefits; (5) increasement of wages; (6) workers health insurances; (7) workers social welfares; (8) work safety and ethics; (9) sanctions; (10) disputes settlement procedures; and (11) complaint and griviences handling.

It means that negotiation process about base salaries increasement and other works issues are conducted only every two years. When there are some aspects that have to talk before negosiation process, they used communication channels without negotiating at all. If this chances are useds by employees to demand salary increasement, for example, both union and management reminds them to commit what it has been agreed before. For a certain degree, both parties use this CB mechanism to discuss profit sharing distribution in the end of year. This process also does not take longer time for both parties has had a concencus about its distribution sharing formula. Negotiations about this profit sharing seem to be smooth because before discussing it, management usually present company financial performance to the union every semester.

Dispute settlement is used when company and union or individual worker fail to reach agreements and they agree to bring the case before industrial relations court. In some degree, both parties try to fake out this court for the process will take longer time and court decisions are being imposed on both parties. As it is agreed by management, there is only a case that is taken to industrial relations court since the company began their operation in Indonesia. Both parties realizes using industrial relations court is the last attempt to solve their problems.

Further, this research investigates there are two main reasons for this smooth negotiation process. Firstly, it is caused by employees basic problems in work relation has been solved before. As it is indicated by many theories, basic problems in work relation are salaries, work conditions, and other benefits. Basic salary avarage in this company has been rated above “Upah Minimum Regional/UMR” (Regional Minimum Wages) that is regulated by local government. Secondly, as it has been stated before, the company’s share is mostly owned by its mother company Toyota. Therefore, company values and policies about production system is adopted from its mother company. As it has been known broadly, Toyota production system is *kanban* that means in-line process. The company has to ensure that all components has to work proportionally in order to fake out grouping of its productions in certain areas. It makes the company has to notice work conditions and become, mostly, company’s concerns in reaching its production targets.

In order to ensure the production process, the company also create an informal communication channel that can be used by employees who has problems personally or in work

settings. This informal communication channel is well known as “*shoku bajunkai*”. It has two roles: (a) as a personal supervisor for employees and as early warning system for company. Those who are appointed to do this role are chosen from senior employees who has been chosen as best model employee before. Before functioning as “*shoku bajunkai*”, they have to get some training about grievance handling. This facts implied that all the process of CB is running very well. Both parties seems to understand each other through intensive communication. The company admits there is no any problems with union in the organization for company has created enough communication channels for employees and use them as tools to increase its productivity performances.

4.2 Social themes behind CB practices in PT TMMIN, tbk

a. Understanding employees

Reasons behind phenomena above occurred because company understand its employees. An employee is also a human and has to be treated as a human, not as a tool of production. Consequently, company try to fulfill its workers basic need as a human by noticing its basic needs and also their family by paying them in adequate salaries, create conditions for workers to socialize with others during working, and also create enough space for its workers to sound their ideas and inspiration to improve the company performance. Besides, the company also prepare spaces for its workers an informal communication channel to talk about their personal problems during or out of working settings. As it is admitted by a management member, “*we realizes that we cannot reach this achievement without workers supports. So, we have to treat them as a human and humanize them to give us bigger feedback. Therefore, we have to understood them first before asking what we want*”.

b. Building commitments

As one of managements said that “*Since company has done so many ways to understand workers, company, then, ask them to follow the rules and mechanisms to reach company’s targets and reward workers who have genuine ideas to improve CS or CRP*”. In order to ensure the rules and mechanisms are obeyed, both management and union use monitoring mechanisms tightly and compare their data periodically. Management and union think that there should be productive steps in the organization to improve company performance to increase its profit gain. This gain, then, is distributed proportionally to workers as a part of reward to them and also as a recognition of their existence in organization. As one of the union member said, “*Union realizes company has fulfill unions demand mostly, so it is time for union to show its commitment to increase company’s performance. Above all this increasement is also followed by increasement in profit sharing as a form of our existence in this company*”. As a commitment form, union and all of its members take part in development production activities and spend their time to think about increasing company’s productivity.

c. Building smart trust

Union members found CB is not only source to communicate their problems to management. They can use

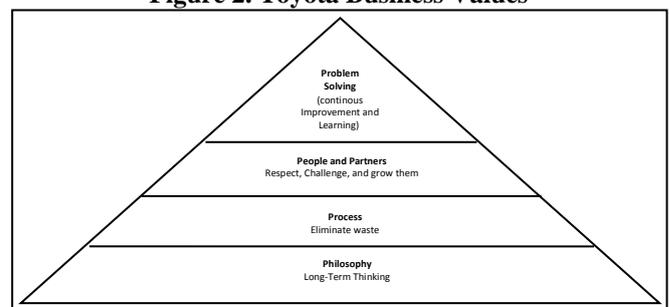
other forms, such as bipartit forum or *shoku bajunkai*, as a tool to express their ideas and to solve their personal problems. Therefore, union members are very much supportive to CB and using it as a guide to conduct their daily activities. They also remind others workers who ask wages increasement before its time to discuss it. Both parties agree to use their power not as a political power to influence each other rather than focus only to the methods and techniques to improve the company productivity. Each party tries to follow what has been decided in CB and stand for it to show their commitments and notes every problems they are facing before taking it to bipartit forums that are conducted periodically. Therefore, eventhough company trust its union and vice versa, both of them tend to speak based on data. This is the reason for them to show their trust.

4.3 Discussion

CB is conducted formally in PT TMMIN, tbk once for two years. Out of that, management and union use various communication channels to solve any problems. When they fail to reach agreement, they agree to take the case before industrial relation court. But as long as the company operated, there is only a case that have to be decided in the court. Most of the problems that are facing by union and management can be solved by using these communication channels. It means that CB process does not spend much time and energy because both parties have understood to each others’ needs and try fulfill them without using its political power.

As it is noted in theory, CB negotiations between employers and workers determine wages, working hours, working standards, and other labor practices (Lamarche, 2015). Those components had been company’s concerns in running its industrial relation practices for a long time ago. CB practices in PT.TMMIN, tbk mostly influenced by its company business values rather than government regulations. PT TMMIN, tbk business values are adopted from its mother company, Toyota and according to Liker (2014) these values can be drawn as it is seen in the figure 2 follows.

Figure 2. Toyota Business Values



The main central of those values that has a very closed relation to CB practices is “*people and partners (respect, challenge, and grow them)*”. This is the reason behind company attempt to understand its employees and try to



fulfill their demands before asking them to improve company performance. By respecting, challenging, and growing people - especially workers – company would be able to reduce and eliminate waste of productions since they are handling the process directly. Besides, it also create space to learn for workers and this learning process is a prerequisite to continuous learning as manifestation of *kaizen* philosophy.

By respecting, challenging, and growing people, company uses CB not to show its political power to its union, rather assumes them as a partner to improve company performance. This is the reason for company to understand its employees first, and building their commitments to increase company productivity. In order to maintain this commitments, the company build a mutual collaboration between management and union to monitor employees daily activities in conducting their duties.

Another setting that makes CB in good practices proportionally at PT. TMMIN, tbk is its system of production that is well known as Toyota Production System (TPS). As it is noted before, TPS is *kanban* that means in-line production process. This system can only be done if all components are working together. (Liker, 2014). Therefore in conducting CB practices, the company looks its employees and union as a whole in production process. It means that all units of production has to be ready to begins production process. The company has to calculate risk if employees cannot do its functions even in a small part. Disfunctional small unit will affect another unit and makes in-line process being disturbed. Therefore the management has to ensure all part of employees functions has to be running well. Based on those analysis collective bargaining model on the company can be drawn as follows.



5. CONCLUSION

CB has been applied properly in PT TMMIN, tbk and used as communication channels to increase company production. Bargaining process was conducted smoothly because employees needs during work has been fulfilled properly. Employees right, in the form of wages, benefits, protections, work hours, and other forms were regulated rigidly. This phenomena occurs because of company business value and its production system. Company business values that are dominant in this CB are (a) respect, challenge, and develop people; (b) minimize waste (*newamashi*); (c) learning through mistakes (*hansei*); and (d) find out the problem from its sources directly (*genchi genbutsu*). Production system that made company treated its employees and their union as partners in CB because of its in-line production (*kanban*) and its *kaizen* philosophy.

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