



Hacettepe University Graduate School of Social Sciences
Department of Political Science and Public Administration
Program of Public Administration

**THE RELATIONSHIP BETWEEN GOOD GOVERNANCE AND
THE QUALITY OF INDUSTRIAL RELATIONS IN INDONESIA**

AKMAL KHAIRI

Master Thesis

Ankara, 2014

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Akmal KHAIRI tarafından hazırlanan "THE RELATIONSHIP BETWEEN GOOD GOVERNANCE AND THE QUALITY OF INDUSTRIAL RELATIONS IN INDONESIA" başlıklı bu çalışma, 5 Haziran 2014 tarihinde yapılan savunma sınavı sonucunda başarılı bulunarak jürimiz tarafından Tez olarak kabul edilmiştir.



Prof. Dr. Mehmet Devrim AYDIN (Başkan)



Yrd. Doç. Dr. Uğur SADIOĞLU (Danışman)



Yrd. Doç. Dr. Ebru YÜKSEL



Prof. Dr. Mete YILDIZ



Doç. Dr. M. Kemal Öktem

Yukarıdaki imzaların adı geçen öğretim üyelerine ait olduğunu onaylarım.

Prof. Dr. Yusuf ÇELİK

Enstitü Müdürü

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ÖZET

KHAIRI, Akmal. *The Relationship Between Good Governance and the Quality of Industrial Relations in Indonesia*, Yüksek Lisans Tezi, Ankara, 2014.

İyi Yönetişim ve Endüstriyel İlişkiler arasında ilişki var mıdır? İyi Yönetişim, farklı sektör türlerinde yönetimin süreçlerini iyileştirmek için bir temel yaklaşımdır. Endonezya'da İyi Yönetişim iyi bilinen bir kavramdır ve her alanda reform için kullanılmaktadır. İyi yönetim devlet, özel sektör ve toplum arasındaki ilişkiyi içerir. Özel sektör içerisinde özellikle sanayi sektöründe işçi, işveren ve hükümetin yer aldığı üç aktörü içeren endüstriyel ilişkiler vardır. Üçlü işbirliğine katılan aktörler genellikle üçtarafli olarak bilinir. Endüstri ilişkilerinde üçtarafli işbirliği çatışmaya/anlaşmazlığa çok yatkındır; çünkü işçi ve işverenlerin farklı ve karşıt çıkarları vardır. Bu nedenle, sağlıklı bir endüstriyel ilişkiler yaratmak için hükümetin aklına ihtiyaç vardır. Bu araştırma, iyi yönetim ve endüstriyel ilişkilerin kalitesi arasındaki ilişkiyi incelemek amacıyla yapılmıştır. Bu araştırma, işçi kuruluşları ve işveren kuruluşu yönetim kurullarından ve hükümet yetkililerinden katılımcılarla Endonezya'da yapılmıştır. Araştırmacı katılımcılara anketler dağıtarak veri toplamıştır. Bu araştırmada, alandaki verilerle iyi yönetim kavramı ve endüstriyel ilişkilerin kalitesi arasındaki ilişkileri test etmek için kantitatif bir yaklaşım kullanılmıştır. Daha sonra, veriler iki değişken arasındaki ilişkiyi incelemek için SPSS kullanılarak işlenmiştir. Buna ek olarak, araştırmacı nicel verilerin anlaşılmasını güçlendirmek için nitel veriler de eklemiştir. Bu veriler görüşmeler, doğrudan gözlem ve literatürden elde edilmiştir. Tez kapsamında bu verilerden yola çıkılarak Endonezya örneğinde iyi yönetim yaklaşımı ile endüstriyel ilişkilerin kalitesi arasındaki ilişkiler değerlendirilmiştir.

Anahtar Sözcükler

İyi Yönetişim, Endüstriyel İlişkiler, İşçi Kuruluşları, İşveren Kuruluşu.

ABSTRACT

KHAIRI, Akmal. *The Relationship between Good Governance and the Quality of Industrial Relations in Indonesia*, Master Thesis, Ankara, 2014.

Is there any relationship between good governance and industrial relations? Good governance is a fundamental approach to improve administrative processes in different kind of sectors. In Indonesia, good governance is well known and is used as a concept for reform in all fields. Good governance includes the relationship between the state, private sector, and community. In the private sector, especially industry, there are industrial relations involving three actors, namely the workers, employers, and government. The actors involved in triangular cooperation commonly known as tripartite. Tripartite cooperation in industrial relations are very prone to conflict/dispute because both workers and employers have the different and opposite interests. Therefore, it takes the wisdom of the government to create a healthy industrial relations. This research was conducted to examine the relationship between good governance and the quality of industrial relations. The research was conducted in Indonesia by involving a number of respondents from board of trade unions, employer organization and government officials. The researcher collected data by distributing questionnaires to the respondents. This research uses a quantitative approach to test the concept of good governance and the quality of industrial relations with existing data in the field. Then the data is processed using SPSS to examine relationship between the two variables. In addition, the sresearcher also add qualitative data to strengthen understanding of the quantitative data. These data were obtained from interviews, direct observation, and literature. In this frame, the relationships between good governance approach and the quality of industrial relations in Indonesia have been evaluated by using these data.

Key Words

Good Governance , Industrial Relations, Trade Unions, Employer Organization.

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INTRODUCTION

Good governance is a popular paradigm since the beginning of the 21st century. The concept came from the intellectual debates about governance of the 1980s and 1990s, which became widespread in development circles and prominent in the international public policy lexicon. Many academics and international practitioners employ 'governance' to connote a complex set of structures and processes, both public and private (Weiss, 2000: 795). These points gave birth to a new concept called good governance.

Governance concept began to develop in the early 1990s marked by a new viewpoint to the role of government (government) in running the government system. This view arises because the role of the government is considered too big and too powerful, so people do not have the flexibility and room to grow. The government has become an institution of the most know and understand what is desired by the community, so many policies are made without the prior discourse with community or without feeling the need to listen to the aspirations of the people. This ultimately makes top-down policies and people can only live to accept it, act like it actually makes support for the government of the people declined.

Good governance used in international development literature to describe how public institutions conduct public affairs and manage public resources. The concept of "good governance" often emerges as a model to compare ineffective economies or political bodies with viable economies and political bodies (Khan, 2004). The concept revolves around the responsibility of governments and governing bodies to meet the needs of the people, without making them as passive objects. This concept can work well if all government activity is accompanied by strict adherence to the rules.

Governance is fundamental approach to analyze administrative processes in different kind of sectors. Organizations can fail because they have problems at the governance level. Ineffective governance compromises the ability of the management to succeed. Effective governance, in contrast, greatly assists the organization. Effective governance has the following characteristics: it is efficient, allows a respectful conflict of ideas, is

simple, is focused, is integrated and synergistic, has good outcomes, preserves community assets, and leads to enjoyment and personal reward for the individual board members (Arnwine, 2002: 19). For a country, especially for developing countries, good governance is important. Poor governance is among the most important causes of state failure and under development (Ciborra and Navarra, 2005: 141).

1997 Asian financial crisis became real evidence for the result of the bad governance. At that time, developing countries in Asia one by one fell into financial crisis which then spread into the multi-dimensional crisis. Then, after getting out of the crisis, these countries began to improve the system of governance as learning from past mistakes. This is clearly illustrated by Mardiasmo, et al. (2008: 3), "*Interest in governance within Asia has increased markedly in recent times due to the financial crisis but also too due to other events derivative of poor governance practices.*"

One of the developing countries most severely affected by the crisis were Indonesia. In Indonesia, the financial crisis/economic crisis spread to the political, law, security, government. This happens because at the moment, the ruling regime ignored good governance and the rule of law and allowed corruption. As a result, emerged protests and riots to demand the fall of the regime. After the regime fell in 1998, was undertaken major reforms in all fields. As the crisis recovery efforts, increased resilience to crisis and collapse into the main aim by improving governance through the implementation of many innovative policies in the private and public sector.

The good governance include the relationship between the state, private sector, and community (Punyaratabandhu, 2004). Government has a role to create political and lawful climate that is conducive, private sector has role to create jobs and revenue, and the people has role to encourage social interaction, economic, politics and invite all community members to participate (Effendi, 2005). Good governance is a good concept to help developing countries to restructure the relationship between private sector, public sector (government agencies), society, non-profit sector, and international institutions (Mardiasmo, et al., 2008: 3). In the relationship between government and the private sector, government's role is to make policy and laws conducive for the private sector consisting of employers and workers. Triangular relationship between the government, employers and workers associated with the concept of industrial relations.

The industrial revolution has produced a new civilization that involves multiple actors. At the beginning of the industrial revolution, the relationship between the actors involved only two parties, the workers and employer. The relationship is referred to as industrial relations. Then, the relationships are developed with the involvement of the government and other parties. The government involvement in industrial relations are the implications of the government's role as owner of the mandate and authority in a country. With these roles, government can be a referee, regulator, and the final decision maker in industrial relations.

Industrial relations began to emerge during the industrial revolution in The Great Britain. The industrial revolution created the modern employment relationship by spawning free labor markets and large-scale industrial organizations with thousands of wage workers. Economic and social change on a large scale has resulted in labor problems. The problems include low wages, long working hours, monotonous and dangerous work, and abusive supervisory practices led to high employee turnover, violent strikes, and the threat of social instability.

Industrial relations are very important in modern life now. Bruce E. Kaufman (2008: 31) said, "*the phenomena of industrial relations are found in all countries where people work for others in paid employment. As a generic subject, therefore, industrial relations is ubiquitous*". Almost all the work in this world is a paid job, so the concept of industrial relations is very interesting to be discussed.

Good governance and industrial relations have a close connection. One of the areas of good governance is the relationship between government and the private sector. In the industrial relations there is a relationship between the government, employers, and workers. The relation between the government and the private sector (employers and workers) are very interesting to discuss.

Indonesia as a developing country has applied the concept of good governance. Big reform in 1998 gave a momentum to improve political, economic, legal, and administrative system. Since then, various reform programs have been rolled out, especially in the field of public administration. In the field of industrial relations, government has issued many law/regulations that provide the freedom for workers and

employers to form organizations. In addition, The Minister of Manpower and Transmigration also has issued regulations to accommodate the representation of worker and employer in industrial relations. Thus, there has been an increase in terms of the rules in order to increase participation. However, more than a decade after the reform, there are still many issues unresolved, especially in the field of industrial relations.

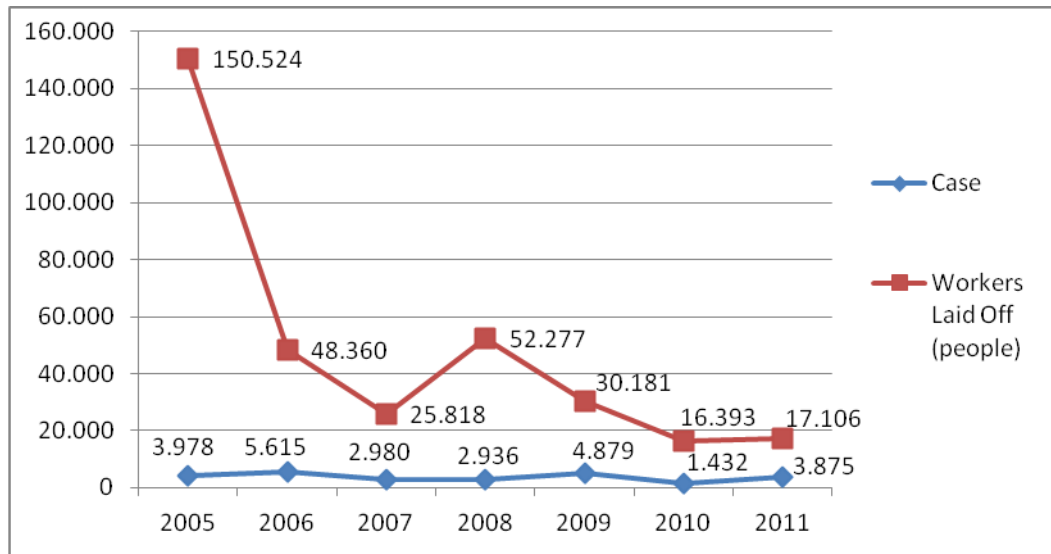
One of the high industrial conflict in Indonesia is a conflict of wages (minimum wages). In Indonesia, the regional minimum wage set by the governor's decision is based on a meeting between government, worker representatives, and employer representatives. Disputes often happen because mutual recriminations between the parties concerning transparency, collusion, and arbitrariness. The workers accuses the management (employer) not being transparent in explaining the financial position of the company. The employers also accuses workers are not transparent in the preparation of the list needs a decent living. The two sides both employers and workers also suspect the government is not transparent in decision-making.¹ As a result, both employers and workers never felt satisfied with the decision taken by the government.

According to data from the Ministry of Manpower and Transmigration, in 2011 there are 4,242 cases of disputes that go to labor court. From this amount, 2,429 cases have been decided, 311 yet to be decided, and the rest were rejected by the court. In the same year, there were 303 cases of strikes / protests that have taken place involving 64,820 workers, and 1,891,387 lost work hours. These data demonstrate the high level of industrial disputes and inefficiencies related to the number of working hours lost.

Case of termination of employment and the number of laid-off workers is very volatile. The graph below shows the number of cases and the workers who were laid off. These cases add to the amount of unemployment which in 2013 was detected at 5.92% or 7.17 million people.²

¹ Bisnis.com, 29 April 2013. (Access at 6/16/2013).

² Central Bureau of Statistics of Indonesia, September 2013. (Access at 10/16/2013).

Figure 1. Termination of Employment in Indonesia in 2005-2011

Source: Ministry of Manpower and Transmigration of Indonesia, 2011.

Moreover, the implementation of outsourcing and social security issues also add to the list of industrial relations practice in Indonesia.³ A person who representative of the employer organization said that at this time in Indonesian Industrial Relations, there are weaknesses in the government. The government is very easily suppressed by worker or employer organizations to create new policies without bringing the two sides (worker and employer organizations).⁴ These problems indicate the irregularities in implementation of good governance, particularly the relationship between government, private sector, and workers.

According to World Bank 1997 in Ciborra and Navarra, 2005: 142, good governance practice in the late developing countries (LDCs) aims to manage effectively their transition to development, is conditional on the implementation of good policies. These policies aim to promote democracy, reduce corruption, increase transparency, and expand human capabilities. Supposedly, the reform program by applying the concept of good governance always bring good results. bring good results. But, in the Indonesian industrial relations, the achievement of these objectives is questionable because there

³ Pikiran Rakyat Online, 3 April 2013. (Access at 5/27/2013).

⁴ Interview with Iqbal Iskandar Alam, Vice Chairman of The K3LH's Section at Indonesia Employers Union (APINDO) branch of Depok City on 10 July 2013.

are still many problems in the field. This research is to answer following fundamental questions:

1. Is there any relation between good governance and the quality of industrial relations in Indonesia?
2. What is the relationship between good governance and the quality of industrial relations in Indonesia?

Introduction explains the background of the research, problems and research questions, research purposes and research benefits, urgency of this research and the supporting data. *Chapter I* explains good governance and industrial relations, concept definition, and operational definition. In this chapter, there are a lot of quotes from various experts on the theories related to this research. *Chapter II* explains General Information About Good Governance And Industrial Relations In Indonesia. This chapter covers: profile of Indonesia, good governance and industrial relations condition in Indonesia, understanding, outcomes, regulations relating to good governance, and analysis. *Chapter III* by resting on a field study explains good governance and quality of industrial relations in Indonesia. This chapter with empirical study covers: methodology, hypothesis, demographics, findings and analysis data. The last about summary and conclusion. This chapter is the core of this research explaining the impact of good governance on the quality of industrial relations.

Based on the problems which described above, this research aims to describe and analyze relationship between good governance and the quality of industrial relations in Indonesia. Researcher wants to see the relation between the good governance practices to improving the quality of industrial relations. In addition, this research analysis other matters relating to good governance and Industrial relations in Indonesia.

This research was carried out systematically by following the rules of scientific research. Thus, it is expected to provide benefits in the field of practical and academic, namely:

- 1) *To practice*: this research can provide input to the government, NGO, public, private, and other stakeholders about how to organize a balanced relationship between government, employers, and workers.
- 2) *For academic*, this research contributes to the concept of good governance and industrial relations; provide information for other researcher who want to conduct similar research.

CHAPTER I

GOOD GOVERNANCE AND INDUSTRIAL RELATIONS

This chapter explains good governance and industrial relations, concept definition, and operational definition. It becomes a tool to conduct this research. In this chapter, there are a lot of quotes from various experts on the theories related to this research.

1.1. GOOD GOVERNANCE

Good governance comes from the concept of governance that has long run in various fields. The "governance" is not a new concept, it as old as human civilization. Governance can be defined as the process of decision-making and the process by which decisions are implemented (or not implemented).⁵ Governance recognizes that there are many people in the decision-making center that works on different levels.

Good governance is one of the arts of management in response to changes in the environment to win the competition. For business sector is called good corporate governance. From the second term appears to describe a variety of opinions values of good governance.

In the 1992 report entitled "Governance and Development", the World Bank set out its definition of good governance. This term is defined as "the manner in which power is exercised in the management of a country's economic and social resources for development".⁶ For business, Good Corporate governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner.⁷

⁵ United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2009. (Access at 9/10/2013).

⁶ International Fund for Agricultural Development (IFAD). 1999. (Access at 10/5/2013).

⁷ Elecon Engineering Company Limited. 2013: 24.

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society. Below is a description of the characteristics of good governance according to UNESCAP:⁸

1.1.1. Participation

Participation is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand.

All citizens are entitled involved in decision-making, either directly or through authorized representative institutions to represent their interests. The overall participation is built on freedom of assembly and expression as well as capacities to participate constructively. To encourage community participation in all aspects of development, including in the sectors of social life, the regulatory bureaucracy should be minimized. Not enough with that, government officials also have to change the paradigm of the ruling bureaucrats of public services (public server), to provide good service, has a humanist attention to his client, providing efficient services, on time and at a low cost. That's the main requirements to realize the ideals of good governance. A nation will not progress quickly without the full participation of its citizens.

1.1.2. Rule of law

Good governance requires fair legal frameworks these are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial

⁸ United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Op.cit.

enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

Community participation in the political process and public policy formulations require the system and the rules of law. If it is not offset by a strong law and enforcement, participation will be transformed into an anarchic political process. Accordingly, the process of realizing the ideals of good governance, should be balanced with a commitment to uphold the rule of law with the following characteristics:

- a) The supremacy of law
- b) Legal certainty
- c) Responsive law
- d) Law enforcement is consistent and non-discriminatory
- e) Judicial independence

1.1.3. Transparency

Transparency means that decisions taken and their implementation are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided in easily understandable forms. There are eight aspects of state management mechanism should be done in a transparent manner, namely:

- 1) Determination of the position or job title
- 2) The wealth of public officials
- 3) Giving the award
- 4) Determination of the policies related to the enlightenment of life
- 5) Health
- 6) Morality officials and officials of public services
- 7) Security and order
- 8) Policy strategies to enlighten people's lives.

1.1.4. Responsiveness

Responsiveness is defined generally as willingness to help, how to provide prompt service and deal with problems or complaints with either. In good governance, this means that the government must be sensitive and responsive to community issues. Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe. In accordance with the principle of responsive, then each element of the government must have 2 of ethics, the ethics of individual and the ethics of social. In an effort to realize the principle of responsive government must undergo a strategic effort in providing humane treatment to community groups indiscriminately.

1.1.5. Consensus Oriented

Another fundamental principle of concern to the government in carrying out the tasks of his government towards attaining good governance is consensus decision-making, that is the decision-making process through consultation and as much as possible based on mutual agreement. There are several actors and as many view point in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community.

1.1.6. Equity and inclusiveness

Good governance must also be supported by the principles of equity, i.e. similarity in treatment and services. Every citizen has an equal opportunity to obtain welfare, despite the ability of different individuals. The public sector should play a role in order to welfare and justice go hand in hand. Public welfare depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well being.

Inclusiveness is to invite all people and not monopolize on the one hand in the making of policy. The need for inclusiveness is ensuring that access to basic service and the dividends of development are broadly shared. Implications include the following:

- a) Communities should take responsibility in policy making,
- b) A sense of pride and ownership will be an additional positive result.
- c) Users of services can only be considered empowered if able to express their needs and ideas.

1.1.7. Effectiveness and efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment. Criteria of effectiveness is usually is measured by product parameters that can reach as much as possible of the public interest from all of group and social strata. While efficiency usually is measured by rationalization of development cost to meet the needs of society. The smaller the costs were used and the smaller the cost of development for the benefit of the largest, then the government was included in the category of efficient governance.

1.1.8. Accountability

The principle of accountability means that public officials accountable to the people who gave him the authority to delegate and take care of their affairs and interests. Every public official is required to account for all policies, actions, morals, and his attitude toward public. Accountability not only for governmental institutions, but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law.

1.2. INDUSTRIAL RELATIONS

Industrial relations is a multidisciplinary field that studies the employment relationship. Industrial relations is increasingly being called employment relations or employee relations because of the importance of non-industrial employment relationships; this move is sometimes seen as further broadening of the human resource management trend. Indeed, some authors now define human resource management as synonymous with employee relations. Other authors see employee relations as dealing only with non-unionized workers, whereas labor relations is seen as dealing with unionized workers. Industrial relations studies examine various employment situations, not just ones with a unionized workforce. However, according to Bruce E. Kaufman (2008: 31) “To a large degree, most scholars regard trade unionism, collective bargaining and labor-management relations, and the national labor policy and labor law within which they are embedded, as the core subjects of the field.”

Research on industrial relations is necessary to achieve the goals of the organization, creating efficiencies, prevent conflict in the management, and increase productivity through the efforts to improve the quality of working life (Katz et. al, 1985: 510-511). Organizational goals will be achieved when creating a harmonious relationship between the parties involved. The harmonious relationship will minimize conflict, so as to create efficiencies. If these things happen, then the quality of working life will increase, followed by an increase in labor productivity.

According to Simanjuntak (2009), industrial relations are relations of all party involved or concerned over the process of production of goods or services in an enterprise. Parties interested in any company (stakeholders) are:

- a) Employer or shareholder who is represented by the daily management
- b) The workers / laborers and trade unions / labor unions
- c) Supplier or supplier companies
- d) Consumers or users of products / services
- e) Users companies
- f) Surrounding communities

g) Government

Additionally, Simanjuntak (2009) also mention the means supporting industrial relations, as follows:

- a) Worker organization
- b) Employer organization
- c) Bipartite cooperation institution. Bipartite is the settlement of industrial disputes by the parties to the dispute so as to obtain results that benefit both parties.
- d) Tripartite cooperation institution. Tripartite is negotiations between the disputing parties in industrial relations disputes, facilitated by a neutral third party.
- e) Company Regulations
- f) Collective Bargaining Agreement, That is a process of negotiations between employers and a group of employees aimed at reaching agreements that regulate working conditions.
- g) Employment legislation
- h) Industrial Relations dispute resolution institutions

Abdul Khakim (2009) explained, the term industrial relations is a translation of "labor relations". The term initially assumed that labor relations only discuss relationship problems between workers/laborers and employers. Along with the development and the fact that happened on the field that labor relations between workers/laborers and employers were also concerned other aspects vast. Thus, Abdul Khakim (2009) states labor relations is not limited to the relationship between the workers/laborers and entrepreneurs, but the need for government intervention.

Industrial relations have principles that are used as a guide in practice. Simanjuntak (2009) describes some of the principles of industrial relations, namely:

- a) Common Interests: Employers, workers/laborers, community, and government
- b) Partnerships are mutually beneficial to each other: workers / laborers and employers as partners are interdependent and need each other
- c) Functional relationship and division of tasks
- d) Kinship
- e) Creating a business tranquility and peace work

- f) Increasing productivity
- g) Increasing welfare for all.

1.2.1. Conflict Management

Conflict is an essential, ubiquitous part of organizational life. In fact, given the current business trends toward workforce diversity, globalization, and joint ventures, how managers from different organizations and cultures deal with conflict is an increasingly important question (Seybolt, Derr, & Nielson, 1996 in Whetten and Cameron, 1998: 321). Organizations in which there is little disagreement generally fail in competitive environments. Conflict is the lifeblood of vibrant, progressive, stimulating organizations.

In industrial relation, often occurs the conflict between the government, employers and workers. This is normal in a relationship because each party has different interests. The sources of the conflict is multifarious. The sources can be grouped into 4 types, explanation can be seen at Table 1.

Table 1. Sources of Conflict

SOURCES OF CONFLICT	FOCUS OF CONFLICT
Personal differences	Perceptions and expectations
Informational deficiency	Misinformation and misrepresentation
Role incompatibility	Goals and responsibilities
Environmental stress	Resource scarcity and uncertainty

Source: Whetten and Cameron, 1998: 323.

The sources of conflict are generally found in every relationship, including in industrial relations. Industrial conflicts in organisations are inevitable. Industrial conflicts are the results of several socio-economic, psychological and political factors. Various lines of thoughts have been expressed and approaches used to explain his complex phenomenon. According to economic viewpoint, industrial conflict in terms of impersonal market forces and laws of supply demand. According to political viewpoint,

industrial conflict is a war of different ideologies (perhaps a class war). According to psychology facts, industrial conflict means the conflicting interests, aspirations, goals, motives and perceptions of different groups of individuals, operating within and reacting to a given socio-economic and political environment. Nevertheless, the conflicts can be solved with the right approach. At table 2, there are 5 approaches to deal with conflict, these are:

Table 2. A Comparison of Five Conflict-Management Approach

APPROACH	OBJECTIVE	SUPPORTING RATIONALE	LIKELY OUTCOME
FORCING	Get your way	It's better to risk causing a few hard feelings than to abandon an issue	You feel vindicated, but other party feels defeated & humiliated
AVOIDING	Avoid having to deal with conflict	Disagreements are inherently bad because they create tension	Interpersonal problems don't get resolved
COMPROMISING	Reach an agreement quickly	Prolonged conflicts distract people from their work	Participants become conditioned to seek expedient
ACCOMODATING	Don't upset the other person	harmonious relationships should be top priority	The other person is likely to take advantage of you
COLLABORATING	Solve the problem together	The positions of both parties are equally important	The problem is most likely to be resolved.

Source: *Whetten and Cameron, 1998: 330.*

Based on the above explanations, there is no best approach compared to other approaches. Each approach has its advantages and disadvantages. These approaches would be best if appropriate with the problems faced. Therefore it takes a variety of considerations to determine the right approach to the problem at hand. Table below sets forth the considerations to choose the right approach.

Table 3. Consideration of Conflict-Management Approach

Situation Considerations	Forcing	Accommodating	Compromising	Collaborating	Avoiding
Relationship	High	Low	Medium	High	Low
Importance	Low	High	Medium	High	Low
Relative Power	High	Low	Equal-High	Low-High	Equal-High
Time Constraints	Med-High	Med-High	Low	Low	Med-High

Source: *Whetten and Cameron, 1998: 331.*

Based on the table, it can be seen that each approach has positive and negative effects. With this table, we can take the approach that has a great positive effect and a small negative effect. Thus, conflict resolution has a flexible way.

1.2.2. The Quality of Industrial Relations

Generally, we can measure the quality of industrial relations from achievement of the objectives . The main objectives of industrial relations system are:⁹

- 1) To safeguard the interest of labor and management by securing the highest level of mutual understanding and good-will among all those sections in the industry which participate in the process of production.
- 2) To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
- 3) To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.
- 4) To establish and promote the growth of an industrial democracy based on labor partnership in the sharing of profits and of managerial decisions, so that ban individuals personality may grow its full stature for the benefit of the industry and of the country as well.

⁹ Industrial Relations-Naukrihub.com. (Access at 10/28/2013).

- 5) To eliminate or minimize the number of strikes, lockouts and gheraos by providing reasonable wages, improved living and working conditions, said fringe benefits.
- 6) To improve the economic conditions of workers in the existing state of industrial managements and political government.
- 7) Socialization of industries by making the state itself a major employer.
- 8) Vesting of a proprietary interest of the workers in the industries in which they are employed.

Researcher uses the concept of relationship quality to measure the quality of industrial relations. Carmen Lages et al. (2005: 1041) consider that relationship quality is a higher order construct made of several distinct, although related dimensions. They made multidimensional scale Comprises four dimensions:

1) *Amount of information sharing in the relationship*

They define the amount of information sharing as the extent to which the actor openly shares information that may be useful to the relationship with the other actor. In other words, the amount or frequency of information sharing refers to how long and how often the actors openly enter into contact with each other. The proposed construct comprises three items: the frequency of discussion of strategic issues, the sharing of confidential information, and the frequency of conversation about its business strategy. Information sharing is vital as it can strengthen relationships. By receiving information, the actors may, for example, more easily predict future plans.

2) *Communication quality of the relationship*

Communication difficulties are identified as a major cause of problems among relationship parties. Communication is the human activity that creates and maintains relationships between the different parties involved. For communication to occur, people must not only exchange information, but also be able to decipher each other's codes. In communication, exchange is two-way to achieve shared understanding. Inefficient communication may lead to conflict due to misinterpretation and reciprocal dissatisfaction.

The construct of communication quality was adapted from the work of Menon et al. (1996, 1999) and assesses the extent to which there is a permanent interaction between the members of both sides of the dyad in charge of strategy. Therefore, communication quality of the relationship reflects “the nature and extent of formal and informal communications during the strategy making process”. Formal communication between parties, referring to communication through written form and formal meetings, informal forms of communication are more personalized. While formal communication tends to be planned, precise and structured, informal communication tends to be unplanned, vague and ad hoc. Communication quality of the relationship is considered to be an intrinsic constituent element of relationship quality because there is empirical evidence that these two concepts are associated.

3) *Long-term relationship orientation*

Ganesan (1994) in Carmen Lages et al. (2005: 1042), argues that long-term relationships offer important sustainable competitive advantages. The underlying assumption is that long-term relationships will probably evolve cooperation, goal sharing and risk sharing, and thus each side will tend to expect that its own performance is mutually dependent on the relationship performance, and thus in addition to benefiting from own results, will benefit from joint results. Long-term relationship orientation may be defined as the perception of mutual dependence of outcomes in such a way that joint relationship outcomes are expected to profit from the relationship in the long run. The construct long-term relationship orientation captures actor’s desire to develop a long-term relationship, namely, in terms of long-run profitability and maintenance of the relationship, long-term goals and long-run concessions. Another dissimilarity stressed by the Lages is that long-term orientation is related to maximizing profits along several transactions versus a single transaction in short-term-oriented.

4) *Satisfaction with the relationship*

The fulfillment of achieving the desired outcomes leads to satisfaction with the partnership. Hence, meeting or exceeding the performance goals results in

satisfaction with the partner. Thus satisfaction is a close proxy for perceived relationship quality. Satisfaction with the relationship may be defined as a positive emotional state resulting from the assessment of the actors. While taking into consideration past experience results, another definition is provided in a B-to-C context. Satisfaction with the relationship is defined as the “cognitive and affective evaluation based on personal experience across all [...] episodes within the relationship” during past interactions (Roberts et al., 2003, p. 175 in Lages et al. (2005: 1042)). Satisfaction with the relationship construct includes three items. The first item is related to the fact that a satisfied considers the association to be successful. The second item assesses the extent to which the actor is overall satisfied with the other actors. Finally, the third item refers to the degree to which actor’s expectations were achieved in terms of the results of the relationship with the other actors. Satisfaction with the relationship is considered to be a key dimension of relationship quality.

Mousavi (2012: 144) in a paper introduced three elements of relationship quality in business sector. Researcher used it as categories for measuring relationship quality, namely:

1) Trust

Trust is generally viewed as an essential ingredient for building and maintaining successful relationships. Also trust is a fundamental relationship model building block and is included in most relationship models. Trust is built when the customer has confidence in a service provider’s reliability and integrity. Trust is one of the most widely examined and accepted concepts in relationship marketing and it has been shown to have an effect on the development of business relationships.

2) Satisfaction

Satisfaction is a measure of how a customer’s expectations are met and often has been perceived as the final result of all activities carried out during the process of purchase and consumption. In fact, some researchers suggest that customer satisfaction is an overall evaluation based on the total experience with a good or

service over time. Most of investigators have accepted customer satisfaction as a key factor for behavioral variables and it has been widely accepted among researchers as a powerful predictor for behavioral variables. Satisfaction is located in central area of relationship between clients and firms. Ping (1993) in Mousavi (2012:144) looked at hardware retailers and the findings of his research suggest that satisfaction is negatively associated with exiting. Satisfaction has been shown to be positively associated with re-purchase intentions in a service setting. The relationship between satisfaction and re-purchase intentions has been shown to be positive in different industries.

3) *Commitment*

Research pertaining to commitment in the buyer-seller relationship is prevalent in marketing. Several definitions of commitment appear within the literature. For example, Morgan and Hunt (1994) in Mousavi (2012:144) define relationship commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.” Anderson and Weitz (1992) in Mousavi (2012:144) state, “commitment to a relationship entails a desire to develop a stable relationship, a willingness to make short term sacrifices to maintain the relationship, and a confidence in the stability of the relationship.” A number of researchers believe that commitment is a major factor in relationship. Gundlack, Achrol et al. in Rutherford (1992) in Mousavi (2012:144) mentioned that a successful relationship between consumer and company needs commitment. Rutherford (2007) in Mousavi (2012:144) pointed out that commitment covers the tendency to expand a strong relationship, the willingness for a long-term relationship, and having confidence in the steadiness of the relationship.

1.3. PUBLIC SECTOR, PRIVATE SECTOR, AND CIVIL SOCIETY

Good governance involves three parties, that is public, private, and civil society. Public-private partnerships involving governments, the private sector and civil society are increasingly recognized as an international solution for social issues of almost every type (United Nation Foundation (UNF), 2003: 1). The partnerships can address some of social issues/challenges that exist in the modern world which very complex as it is today.

Effective partnerships allow all parties to extend their reach and achieve better results. In particular, partnerships encourage cooperation and add legitimacy through the bundling of resources (including financial, intangible assets, and in-kind contributions), skills and expertise. There also is a role for partnerships at a more systemic level. Partnerships can address gaps and failures – areas in which the government, the market and the community all share an interest, but where no party has overall responsibility. Partnerships concept according to UNF (2003: 4) can offer:

- *For Governments:* access to new resources (financial, technical expertise, research and infrastructure);
- *For Civil Society Networks:* access to increased funding (public and private), in-kind support, and technical expertise; and
- *For Businesses:* access to risk and expectations management, market and community development expertise, and contract compliance.

Partnerships exist in a variety of shapes and sizes. They may involve a small number of parties addressing a problem on a limited scale, or they may involve multiple and changing parties addressing complex sets of issues over time. Public-private partnerships may be grouped into the following categories:

- a) **Operational partnerships:** Most partnerships are operational in nature. For example, a multinational company, a civil society organization and a city government in a developing country may collaborate on a training program for local youth or the conservation of a critical biodiversity area. Operational partnerships address well-defined problems and establish collaborative frameworks to address them.

- a) **Policy and strategy partnerships:** New or particularly complex challenges are sometimes the subject of “upstream” policy or strategy partnerships. Leading examples include the UN’s Global Compact -- which articulates nine principles in the areas of human rights, labor and the environment with which companies can align themselves, and the UN Information Communication and Technology (ICT) Task force -- which looks at the role of information technology in development.
- b) **Advocacy partnerships:** Lack of awareness and political will are sometimes the greatest barriers to social change. Advocacy partnerships designed to highlight and promote action on key issues represent an area of unexploited potential for publicprivate collaboration. An example is MTV International’s role in global HIV/AIDS awareness through its Staying Alive Program, which also has partners from all sectors (including UNAIDS, the Global Business Coalition to Fight HIV/AIDS, and the Bill & Melinda Gates Foundation).
- c) **Multifaceted partnerships:** Some partnerships integrate operational, policy and advocacy elements; others may begin by looking at high-level policy issues, but evolve to include an operational component. Two examples of multifaceted partnerships include the Global Health Alliance forged by Rotary International, the United Nations and countless corporations, governments and foundations aimed at eradicating polio, and the International AIDS Vaccine Initiative (IAVI).

Based on the above, a partnership between the government and the private sector in industrial relations is part of the "Policy and strategy partnerships". Government has the authority to decide disputes between employers and workers. The decision taken by the government should consider the input of employers and workers. This is one of the concrete form of collaboration between the various parties in industrial relations.

According to AVINA Report (2009: 5-6, & 10-11), the fundamental idea of collaboration is a means to achieve a social objectives. Thus, cross-sector collaborations are in permanent construction and partnerships are built partnering. Commitment is a crucial aspect in the sustainability of collaborative relationships among sectors. One of key factor for emergence and sustainability of the collaborative initiative is the

leadership of a convening actor. These includes the legitimacy of the convening actor, their role in the organization they represent, and their defined functions in the construction of cross-sectors partnerships. A central element in the sustainability of relationships among sectors is the clear identification and understanding of the benefits and disadvantages for each partner of engaging in the partnership. The starting point of collaborations is the acceptance and respect of differences among partners, as well as the clear understanding of the interdependencies that attract partners to the collaboration. The reports suggest that investing time developing a system for negotiation and cooperation and explicit and clear rules for interactions among partners are fundamental conditions for building trust within a partnership. This governance system should provide clear guidelines, procedures and processes to make collective decisions, achieve consensus and plan actions. This implies a clear definition of how decisions will be made, the roles and responsibilities of each partners, the mechanisms for coordinating actions and the accountability lines within the initiative. Moreover, it is essential to develop a communications mechanism for information flow within and outside the initiatives.

1.4. THE GOOD PRACTICE OF GOOD GOVERNANCE IN INDUSTRIAL RELATIONS

Good governance can be used in various fields such as corporate governance, international governance, national governance and local governance. Kooiman (2000: 139 in Kitthananan, 2006: 2) argues social-political governance implies “arrangements in which public as well as private actors aim at solving problems or create societal opportunities, and aim at the care for the societal institutions within which these governing activities take place.” It means that non-governmental actors should participate actively in solving their own problems. As a major actor in industrial relations, employers and the government is expected to resolve the issue among themselves. Government only acts as a facilitator. Industrial and employment relations covers:¹⁰

¹⁰ United Nations. 2011. (Access at 10/28/2013).

- a) Tripartite social dialogue;
- b) Negotiation, consultation and information exchange between and among the different actors;
- c) Collective bargaining;
- d) Dispute prevention and resolution;
- e) Other instruments of social dialogue, including corporate social responsibility and international framework agreements.

Although the main actors in the industrial relations are employers and workers, there are other actors who have a very important role, that is government. In Industrial relations, Government has role as:¹¹

- a) Build an enabling environment
- b) Provide legal and institutional support
- c) Create the conditions for independent and representative organisations of employers and workers to emerge.

Good governance contains the basic principles that can be applied in the field of industrial relations with the aim of improving the quality of the relationship. The good industrial relations and effective social dialogue are a means to promote better wages, working conditions as well as peace and social justice. As instruments of good governance they can encourage cooperation and economic performance, helping to create an enabling environment for the achievement of the objective of decent work. Changes in the world of work pose numerous challenges to industrial relations institutions and actors, labour legislation and collective bargaining processes. They also create new impetus for innovative practices. Moreover, labour law needs to reflect the evolving labour market situation and address current needs and challenges. If not done, there will be conflicts/disputes in the industrial world. It can decrease the efficiency and productivity of industry. Here, the role of government to be a watchdog and a fair judge.

¹¹ Noriel. 2005: 46.

1.5. CONCEPT DEFINITION

The concept is the terms and definitions used to describe the abstract events groups or individuals studied, the researcher propose the definition of several concepts. These are used for:

- 1) Good governance is defined in this research is the implementation of the principles of good governance by the government in industrial relations.
- 2) Quality of Industrial relations is defined in this research is achievement of quality standards a relationship and the objectives of industrial relations.

1.6. OPERATIONAL DEFINITION

Operational definition is the element that tells how to measure the variables through the indicators.

1) Independent Variable (X)

The independent variable in this research is good governance with the indicators are:

- a) *Participation*: involvement of all parties involved in industrial relations, namely employer/employer organization, worker/worker organization, government, and NGO (ILO).
- b) *Rule of law*: the rule of law is fair to all parties, particularly employers and workers. Impartial enforcement of laws for all parties involved and an impartial and incorruptible police force.
- c) *Transparency*: openness and clarity of decision making and well availability of information for all parties involved.
- d) *Responsiveness*: each institution and the process should be directed at efforts to serve a variety of interested parties (stakeholders).
- e) *Consensus Oriented*: government's role in resolving the conflict by encouraging the achievement of consensus.

- f) *Equity and inclusiveness*: creating equality and inclusiveness in interactions between actors involved in industrial relations.
- g) *Effectiveness and efficiency*: each process/activity in industrial relations geared to produce something that really fit the needs through properly utilizing the various resources available. Effectiveness have categories derived from the role of government in industrial relations, that is:
 - Build an enabling environment;
 - Provide legal and institutional support; and
 - Create the conditions for independent and representative organizations
- h) *Accountability*: government accountable to the public, particularly those who are involved in industrial relations.

2) Dependent Variable (Y)

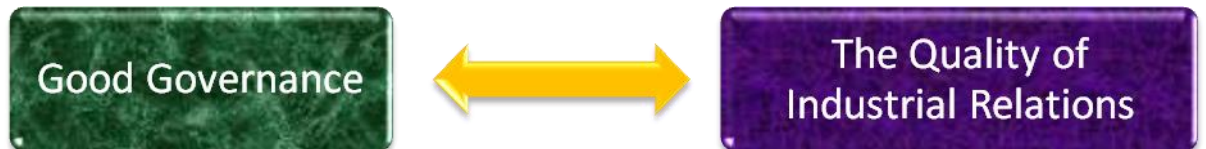
The dependent variable in this research is quality of industrial relations with the indicators are:

- a) *Information sharing in the relationship*: the information sharing as the extent to which the actor openly shares information that may be useful to the relationship with the other actor. The proposed construct comprises three items: the frequency of discussion of strategic issues, the sharing of confidential information, and the frequency of conversation with other actor about its action strategy.
- b) *Communication quality of the relationship*: Communication quality of the relationship reflects “the nature and extent of formal and informal communications during the strategy making process”. Formal communication between parties, referring to communication through written form and formal meetings, informal forms of communication are more personalized. While formal communication tends to be planned, precise and structured, informal communication tends to be unplanned, vague and ad hoc.

- c) *Long-term relationship orientation*: Long-term relationship orientation may be defined as the perception of mutual dependence of outcomes in such a way that joint relationship outcomes are expected to profit from the relationship in the long run. The construct long-term relationship orientation captures actor's desire to develop a long-term relationship, namely, in terms of long-run profitability and maintenance of the relationship, long-term goals and long-run concessions.
- d) *Satisfaction with the relationship*: Satisfaction with the relationship construct includes three items. The first, is related to the fact that a satisfied considers the relation to be successful. The second, assesses the extent to which the actor is overall satisfied with the other actors. Finally, the third refers to the degree to which actor's expectations were achieved in terms of the results of the relationship with the other actors.
- e) *Trust*: the level of trust between the parties involved. It is built when the actor has confidence in other actor's reliability and integrity.
- f) *Commitment*: commitment to a relationship entails a desire to develop a stable relationship, a willingness to make short term sacrifices to maintain the relationship, and a confidence in the stability of the relationship. Commitment covers the tendency to expand a strong relationship, the willingness for a long-term relationship, and having confidence in the steadiness of the relationship.
- g) *Achievement of the objectives of industrial relations*, these are:
- ✓ to safeguard the interest of labor and management,
 - ✓ to raise productivity to a higher level in an era of full employment,
 - ✓ to establish and promote the growth of an industrial democracy based on labor partnership,
 - ✓ to eliminate or minimize the number of strikes, lockouts and gheraos,
 - ✓ to improve the economic conditions of workers,
 - ✓ socialization of industries by making the state itself a major employer.

Based on the operational definition, analysis model used in this research is, the relationship between good governance and the quality of industrial relations. It also became one of the hypotheses to be proved, whether there is a relationship or not. Simply put, the analysis model can be described as follows:

Figure 2. Analysis Model



CHAPTER II

GENERAL INFORMATION ABOUT GOOD GOVERNANCE AND INDUSTRIAL RELATIONS IN INDONESIA

This chapter provides an understanding of the research sites and the things related to this research. It explains profile of Indonesia, good governance and industrial relations condition in Indonesia. It also explains understanding, outcomes, regulations relating to good governance and Industrial relations, and analysis.

2.1. PROFILE OF INDONESIA

In this part, the researcher describes the general information and government level of Indonesia. General information explains various data and facts about Indonesia including history, demographics, area, economy, maps, and other important data.

2.1.1. General Information

Republic of Indonesia that was built in August, 17, 1945 is a country in Southeast Asia. Before independence, Indonesia consists of several small kingdoms. At the colonialism era, the kingdoms became colonies other countries such as Portugal, United Kingdom, Netherlands, and Japan. After independence, was established unitary state of Indonesia, and the small kingdoms are joined by Indonesia. Indonesia is a republic, with an elected legislature and president, and it has 34 provinces. The nation's capital city is Jakarta. The country shares land borders with Papua New Guinea, East Timor, and Malaysia. Other neighboring countries include Singapore, Philippines, Australia, Palau, and the Indian territory of the Andaman and Nicobar Islands. Indonesia is a member of the G-20 major economies and the world's sixteenth largest by GDP US\$ 878,043,028,442 (2012)¹² and GDP per capita US\$ 3,557. Below is shown a map of Indonesia and is located on the world map.

¹² World Bank. 2012. (Access at 05/29/2013).

FIGURE 3. Map of Indonesia



Source: <http://www.google.com/imgres> (access at 11/13/2013).

Indonesia is an archipelago comprising approximately 13,487 islands.¹³ Besides of many islands, Indonesia has over 246,864,191 people (2012),¹⁴ and is the world's fourth most populous country, with occupied the 121th rank in the Human Development Index (HDI).¹⁵ The people consists of 1,128 ethnic¹⁶ and more 746 linguistic groups¹⁷ (10% of the number of languages in the world) that widespread in Indonesian Islands. Government recognized four religions, as: Islam 85.1%, Christian (Protestant and Catholic) 12.7%, Hindu 1.8%, and Buddhism 0.4%.¹⁸ Despite its large population and densely populated regions, Indonesia has large areas (1,910,931.32 km²)¹⁹ that support the world's second highest level of biodiversity. The country has abundant natural resources, yet poverty remains widespread.

¹³ Hargo, D.U. 2014. (Access at 5/30/2014).

¹⁴ World Bank. Op cit.

¹⁵ United Nations. 2013: 143.

¹⁶ Na'im, A. and Syaputra. 2011: 8.

¹⁷ Suwondo, T. 2014. (Access at 5/16/2014).

¹⁸ http://id.wikipedia.org/wiki/Agama_di_Indonesia

¹⁹ Indonesia Data, 2012, (Access at 05/13/2013).

2.1.2. Government Level of Indonesia

Indonesia is a unitary state with a presidential system that gives autonomy to local government. Local governments consist of:²⁰

1. Province

A province is headed by a governor. Each province has its own legislative body. Governors and representative members are elected by popular vote for 5-year term. Indonesia is divided into 34 provinces that carry out the principle of deconcentration and decentralization. Five provinces have special status:

- Province of Yogyakarta Special Region, Royal of Yogyakarta Sultans is de facto governor of Yogyakarta since the Republic of Indonesia was built until now. In this province governor not was elected, but held by The Sultan hereditarily.
- Province of Nanggroe Aceh Darussalam has greater role in local government which includes its own Islamic Sharia law (for Muslim citizens), and decisions or laws made by the central government which directly affect Aceh's administration must be referred to the local government or local legislative.
- Province of Papua, since 2001 local government has a greater role, including was given specific autonomy fund and the governor is from Papuan origins.
- Province of West Papua, has the same status as Papua
- Province of Jakarta is Special Capital Region, because it is the capital city of Indonesia. The Governor of Jakarta has the power to appoint and dismiss mayors and regent within the Jakarta Special Capital Region. The local government is allowed cooperate with other cities from other countries.

2. District and City

District (Kabupaten) and City (Kota) is a local level of government beneath that of province, however they enjoy greater decentralization affairs than province does, such as provide public schools and public health facilities. Indonesia has 410 district and 98 city. Both district and city are the same level, having their own local government and legislative body. The difference between a district and a city

²⁰ http://en.wikipedia.org/wiki/Subdivisions_of_Indonesia

lies in differing demographics, size and economics. Generally the district has larger area than city, and city has a non-agricultural economic activities. A district is headed by a head of district (Bupati), and a city is headed by a mayor (Walikota). Head of district or mayor and member of representatives are elected by popular vote for a term of 5 years. Each district or city is divided into sub-districts (Kecamatan).

3. Sub-District

A sub-district (Kecamatan) is a regional division of the county or city. Totally Indonesia has 6589 kecamatan. The head of a sub-district is known as a "Camat". Camats are civil servants, responsible to the head of district (for district) or to the mayor (for city).

4. Village

The Village (79,702) level was consisted of the "Desa" or "Kelurahan". Both Desa and Kelurahan is part of the district. The Desa has more local matters than Kelurahan. Though Desa and Kelurahan are part of a district, a Kelurahan has less power than a Desa. A Kelurahan is headed by a "Lurah". Lurah is civil servant, directly responsible to their Camat. A Kelurahan is part of Regency/City government bureaucracy. In Indonesian, as in English, village (desa) has rural connotations, in the context of Indonesian Government Administration, a Desa can be defined as a body which has authority over the local people in accordance with acknowledged local traditions of the area. Desa is headed by "Head of Desa" (Kepala Desa), who is elected by popular vote. Most Indonesian villages use the term "desa". In some places, however, there are many other terms used, i.e.:

- ❖ Gampong in Aceh
- ❖ Nagari in West Sumatra
- ❖ Dusun in Bungo Regency (Jambi)
- ❖ Kampung in some places in Indonesia
- ❖ Pekon in Pringsewu, Tanggamus, and West Lampung Regencies (Lampung)

- ❖ In Bali, there are two forms of "desa", i.e. desa dinas (service village) and desa adat (cultural village). Desa dinas deals with administrative functions, while desa adat deals with religious and cultural functions.
- ❖ Lembang in Toraja and North Toraja Regencies (South Sulawesi).

2.2. GOOD GOVERNANCE PRACTICE IN INDONESIA

In this part, the researcher explains condition and understanding of good governance, regulation and outcome, and analysis. All that is important to describe the industrial relations in Indonesia and other things related. After that, the researcher provides an analysis of the facts that have been presented.

2.2.1. Condition and Understanding of Good Governance

Terminology good governance was known in Indonesia in 1993 (Krina P., 2003: 2), but began to be implemented after regime transition from New Order to Reform (Hardjasoemantri, 2003 in Solihin, 2012: 1). The term "governance" is defined as the use of authorized economic, political, and administration to manage the affairs of the state at all levels (National Development Planning Agency, 2003 in Solihin, 2012: 1). Meanwhile, "good governance" is a conception about implementation of the tasks of government in clean and effective. Good governance can also mean an idea and values to set the pattern of the relationship between government, private, and community (Solihin, 2006 in Solihin, 2012: 1).

Alijoyo (2004 in Aryanto, 2010: 11) mentions governance in the narrow sense basically talking about two aspects, namely the governance structure/board structure and governance process/governance mechanism in a company. Governance structure is a structure of accountability relationships and the division of roles between the various major organs of the company, namely Owner/Shareholders, Supervisory/Commissioner, and Manager/Board of Directors. Whereas governance process to talk about the action mechanism and actual interaction between these organs. According FCGI (Forum for Corporate Governance in Indonesia) good governance is defined as a set of rules that set the relationship between shareholders, management, creditors, government, employees

and the internal and external stakeholders in relation to other rights and obligations, or the other words, a system that directs and controls the company (Aryanto, 2010: 12).

One of the key events for Indonesia is the reform at 1998 that marks the fall of the New Order regime has been in power since 1966. New Order is marked with a government (bureaucracy) that is characterized by corrupt, slow, authoritarian, and highly centralized. The event became a milestone to bureaucratic reforms bureaucratic reforms on a large scale.

Trauma with strict centralized system in the New Order, bringing demands to enlarge decentralization post-reform. In further development, enlarging decentralization coupled with include the values of good governance. This happens because the values are considered to be in accordance with the principles of decentralization. This was explained by Utomo (2007: 245):

“In many ways, decentralization and (good) governance has been reciprocally explaining. Decentralization is a process of transferring power, resources and responsibilities from the central to the sub-national levels of government, while governance is a new mode of government characterized by heterarchy rather than by hierarchy, creating a horizontal relationship among a multitude of actors both public and private. Decentralization aims to promote good governance by enabling citizen participation and democratic elections. In other words, the outcome of decentralization should result in a more participatory government for citizens and improved delivery of public services because of the local participation and accountability (Green, 2005).”

Good governance has long been a dream of many people in Indonesia. Despite their understanding about good governance is vary, but at least most of them imagine that with good governance, they will be able to access the quality of government services better. Many of them imagine that with good governance practices, the quality of public services become getting better, the lower corruption, and the government become increasingly concerned with the interests of citizens (Dwiyanto, 2005 in Kuswanto, 2012: 1).

2.2.2. Regulation and Outcome

There are no special rules about good governance in Indonesia. Indonesia has not been specific legislation on the implementation of good governance. However, good governance became the philosophical foundation law/regulation, among other laws on local government and some other government regulations. The law/regulation is the post-reform product.

Post-reform, to enlarge decentralization, the government issued Law No. 22 of 1999 and then updated with the Law No. 32 of 2004 concerning local government. In the law was explained, all the authority of the central government devolved to the local government except: foreign policy, defense, security, monetary and national fiscal, justice, and religion. Likewise in financial terms, local governments are given the freedom to levy user charges and local taxes.

Regulation of the Minister of State for Administrative Reform of the Republic of Indonesia No. 15 of 2008 describes the General Guidelines Reforms Ministry of State for Administrative Reform, the purpose of good governance are:

- 1) Clean bureaucracy;
- 2) Bureaucracy is efficient, effective and productive;
- 3) Transparent bureaucracy;
- 4) Bureaucracy that serves the community; and
- 5) Bureaucracy that accountable.

In addition, many laws that regulate and become part of the implementation of good governance in Indonesia, including the Law concerning Human Rights (Law No. 39 of 1999) which guarantees equality and law enforcement, the Law concerning state administrators are free from corruption (Law No. 28 of 1999) which ensures accountability, transparency and oversight. Then the Law on State Finance (Law No. 17 of 2003) and the accountability of the state administrators to ensure transparency and accountability. Furthermore Law No. 25 of 2004 concerning the long-term plan for both national and local levels as the application of the principle of strategic vision. Then the Law concerning Public Information (Law No.14 of 2008) as an effort to promote

transparency and public participation, the Law on Environment (Law No. 32 of 2009) that involve community participation in protecting the environment.

Outcome of the application of good governance can be seen in the research result of Lankaster (2007) in Utomo (2007: 247). He has been evaluated six indicators of good governance in Indonesia after 1998 reform and decentralization Law of 1999. That is:

TABLE 4. Progres In Good Governance Dimensions In Indonesia After Decentralization

Dimensions of Good Governance	Indonesia's Progress
<p>Voice and Accountability</p>	<p>Improved largely on:</p> <p>Political parties and civil society organizations have been blossoming. Press freedom has been established, and the media have become vocal critics when government fails to deliver. Two parliamentary elections have been held, as well as elections to local legislatures. In 2004 direct elections for the President took place, and direct elections have been introduced for provincial governors and district heads and mayors. The 1999 and 2004 national elections involved over 100 million voters and were judged fair by international observers. In 2004, there was a peaceful transfer of power from President Megawati to President Yudhoyono. The new constitution gives considerable authority to the national parliament to provide checks on the executive and propose and pass legislation. The military have been removed from any formal role in government.</p>
<p>Political Stability</p>	<p>Exceptionally low on:</p> <p>Periodic violence on a serious scale between Muslims and Christians in some of the outer islands, and until the peace agreement in 2005, there was violence in Aceh. Various terrorist attacks including the Bali bombing of 2002.</p>
<p>Government Effectiveness</p>	<p>Some improvement on: Policy formulation and implementation has been quite impressive in the key economic ministries. Education, health and administrative services appear to have improved following decentralization. Macro-economic record of the past few years was relatively good. In contrast, public</p>

	administration has a long way to go. Too often, good intentions and promising initiatives are not translated into action. In addition, pressing issues are simply neglected.
Rule of Law/Regulatory quality	The investment climate remains unsatisfactory. There are other key impediments to investment such as poor infrastructure, rule of law and corruption. Significant institutional changes were introduced after 1999: making the judiciary independent of the executive; a new commercial court system; a Judicial Commission to monitor the performance of judges; and a National Law Commission whose task was to develop a plan to reform the legal system. But the overall impact of these initiatives has been very limited.
Control of Corruption	Mixed results such as: An Anti-Corruption Commission and an Anti-Corruption Court were established in 2002. The perception both outside and inside the country, is that corruption is on the decline. Nevertheless, corruption remains pervasive, particularly in province and district level, as well as in the parliament.

Source: *Lankaster (2007, modified) in Utomo, 2007: 247.*

In a World Bank survey was published in Report of Doing Business 2014, Indonesia ranks 120th out of 189 countries. Doing Business measures business regulations for local firms. De jure rules, such as those these are the focus of Doing Business, can be measured in a standardized way and are directly amenable to policy reforms.

For the private sector, the government has issued a Code of Good Corporate Governance (GCG) Indonesia in 2006 within the framework of ethical driven. Ethical driven comes from individual consciousness of business people to run a business practice by put the survival of the company, the interests of stakeholders, and avoid ways to create a short-term profit. These guidelines do not have binding legal force, but it is a reference for businesses in implementing GCG.

This guide explains the steps that need to be taken to create a situation of checks and balances, enforcing transparency and accountability, as well as the realization of social responsibility for the company's survival. GCG is necessary to encourage the creation of a market that is efficient, transparent and consistent with laws and regulations.

Therefore, the implementation of GCG needs to be supported by three inter-related pillars, namely the state and its apparatus as regulators, the business community as market participants and the public as users of the products and services of the business. The basic principles that must be implemented by each pillar, namely:

- a) **State** and devices create legislation that support a healthy business climate, efficient and transparent, implementing legislation and law enforcement are consistent.
- b) **Business** as market participants that implement GCG as basic guidelines implementation effort.
- c) **Community** as user of products and services of the business as well as the affected party of the existence of the business, showing care and social control objectively and responsibly.

Each company must ensure that the principles of good corporate governance are applied to every aspect of business and at all levels of the company to achieve business sustainability of the company with regard stakeholders. GCG principles, namely:

- 1) **Transparency**: To maintain objectivity in running the business, the company must provide information that is material and relevant in a way that is easily accessible and understood by stakeholders.
- 2) **Accountability**: Company must be able to account for its performance in a transparent and fair. Thus, a company must be properly managed, scalable and in accordance with the company's interests while taking into account the interests of shareholders and other stakeholders. Accountability is a necessary prerequisite for achieving sustainable performance.
- 3) **Responsibility**: Companies must comply with the laws and responsibilities towards society and the environment so that business continuity can be maintained in the long term and to be recognized as a good corporate citizen.
- 4) **Independency**: To accelerate the implementation of good corporate governance principles, the company should be managed independently, so that each organ does not dominate the other and cannot be intervened by other parties.

- 5) **Fairness:** In its work, the company should always consider the interests of shareholders and other stakeholders based on the principles of fairness and equality.

2.2.3. Analysis

Implementation of good governance in Indonesia was against the backdrop of the 1998 reform events. For the people of Indonesia, which had long been under authoritarian and corrupt regime, good governance is understood as a freedom and a clean government of corruption, transparency and accountability. In the private sector, good governance encourages the participation of each element in a company, including employees. This is something that is taboo concept before the reform.

After the reform, every sector whether public, private and civil societies have been improved themselves by applying ideas and principles of good governance. The Government has issued various laws and regulations were inspired by good governance. The laws and regulations aimed to increase the participation of local government, private, and civil society. All was done to reach consensus on a policy, so that they feel involved in policy making and have a strong will to prevent irregularities. Thus, it will create policies that are transparent, efficient, fair, responsible, and accountable.

According to the Lankaster research (2007) in Utomo (2007: 247), Implementation of good governance especially pertaining to the Voice and Accountability and political stability has been going well. But the other three dimensions are still many shortcomings. Policy formulation and implementation has been quite impressive in economic education, health and administrative services have been improved following decentralization. However, public administration still has many shortcomings. Public administration reform (bureaucratic reform) is lagging behind the reforms in the political, legal, and economic. Whereas, bureaucracy is the engine which drives it all. The quality of regulatory is still not satisfactory for the stakeholders. The investment climate also unsatisfactory because there are other big impediments to investment, such as poor, infrastructure, rule of law and corruption. Law enforcement agencies and the

judiciary has been independent, new laws and regulations have been made, but in quality as well as its application is still far from expectations.

2.3. INDUSTRIAL RELATIONS PRACTICE IN INDONESIA

In this part, the researcher explains condition and understanding of industrial relations, regulation and outcome, and analysis. All that is important to describe the industrial relations in Indonesia and other things related. After that, the researcher provides an analysis of the facts that have been presented.

2.3.1. Condition and Understanding of Industrial Relations

Before the 1998 reform, industrial relations in Indonesia relatively stable. Political and economic systems are centralized making government intervention in industrial relations is very large. There is only little room for independent industrial actors and voluntary negotiations. The government tightly control over worker organization activities and industrial relations, as they saw industrial peace as a prerequisite for rapid economic development (Yoon, 2009: 1). The New Order Government regulated the existence of worker organization (at that time only one worker organization was officially recognized by the government), stipulated the level of minimum wages, and influenced the general labor conditions (Rahayu & Sumarto, 2003: 1). This is also supported by the authoritarian and militaristic attitude of the leaders of Indonesia. So that, almost no turbulence and sharp disagreements between the government, employers, and workers.

Post 1998 reform, the industrial relations system is becoming increasingly decentralized. The democratization process after the reform has been changed the attitude and behavior of workers in expressing ideas and their goals. Workers through unions have dared to openly express their demands, either through discussion or by demonstrations and strikes.

On the one side, the workers' demands for improved welfare through wage increases and better working conditions are understandable, bearing in mind the purchasing

power of worker' wages barely increased before the reform. Furthermore, government policy and legislation, which has influenced the livelihoods of the workers, has also contributed to the increasing number of strikes and demonstrations in Indonesia. On the other side, the slow recovery from the economic crisis, in combination with symptoms of the global recession which have impacted negatively on the international market, it became a dilemma for employers in accommodating the demands of their employees (Rahayu & Sumarto, 2003: 2).

This occurs because the position of employers and workers are equal. Before the reform, employers take advantage of its proximity to the power to oppress workers, either by intimidation or by force. As the oppressed, workers can't express their aspirations. At the present time such ways that do not apply anymore. Bargaining position of employers and workers are the same. The government is expected to be a fair judge in dealing with disputes between two parties.

In 1974, the New Order administration introduced Pancasila Industrial Relations. Pancasila is the state ideology is a set of social, culture, and traditional values of Indonesian. These values serve as the foundation in Industrial Relations of Indonesia. Understanding of Pancasila Industrial Relations contained in The Indonesia Minister of Manpower Decision No. 645, 1985, which states the relationship between the various agencies involved in the production of goods and services, based on the five principles of Pancasila. The principles are monotheism, humanism, nationalism, representative or democracy, and social justice. Other explanations are described by Rahayu & Sumarto (2003: 3-4):

“Pancasila Industrial Relations emphasizes cooperation and partnership between employees, employers, and the government with the aim of building an ideal industrial society (Suwarno & Elliot, 2000: 130). It is based on the three principles of partnership between these groups: in the production process; in terms of responsibility, and gaining the profits/benefits. Pancasila Industrial Relations endeavors to balance the rights and responsibilities of employees with those of the employers, as well as each of their obligations towards the other party. Both social justice and the recognition of reasonable limits determine the balance between these rights and obligations, rather than the balance of power

in the relationship. Pancasila Industrial Relations endeavors to: establish harmony in the workplace; increase levels of productivity; and improve the human dignity and values of employees. If these conditions in the workplace can be achieved, then it is hoped that harmonious industrial relations will follow, subsequently contributing to political and social stability which was deemed as paramount to the New Order regime. However, the principles of Pancasila in Indonesian industrial relations amounts to no more than an advisory policy as they do not form part of the industrial relations legislation. In practice, the industrial relations system envisioned by the Pancasila Industrial Relations policy has not fully eventuated.”

Agency actors involved in industrial relations are worker represented by trade unions, employer represented by employer organizations, and the government represented by the ministry of manpower and transmigration. Each side has a function, namely: (Guntur, 2010: 4)

- ✓ *Government Functions:* Establish policies, provide services, conduct surveillance, and take action against violations of labor law regulations.
- ✓ *Worker/Worker Organization Functions:* Running job according to its obligations, to maintain order in the continuity of production, democratic aspirations, develop skills, expertise and helped advance the company as well as the welfare of their members and their families.
- ✓ *Employers/Employer Organization Functions:* creating partnerships, developing business, expanding employment and provide worker welfare in an open, democratic, and equitable.

2.3.2. Regulation and Outcome

The government has been created Law No. 21 of 2000, permitting workers to establish unions at the enterprise level. This decision was made following the ratification of several International Labor Organization (ILO) conventions, including Convention No. 87, 1948 on “Freedom of Association and Protection of the Right to Organize”. Legislation relating to industrial relations, among others:

- Law No. 13 of 2003 concerning Manpower
- Law No. 21 Year 2000 concerning Worker/Labour Organizations
- Decree of The Minister of Manpower and Transmigration No. 16 of 2001 concerning The Procedures for recording Worker/Labour Organization.
- Decree of The Minister of Manpower and Transmigration No. 201 of 2001 concerning Representation and Institutional of Industrial Relations.
- Decree of The Minister of Manpower and Transmigration No. 255 of 2003 concerning Procedures for The Establishment and Membership Composition Bipartite Cooperation.
- Decree of the Minister of Manpower and Transmigration No. 48 of 2004 concerning Procedures for Making and Legalization of Company Regulations, and the Making and Registration of Collective Labor Agreements.

Industrial relations have various forms or activities. The data about the Industrial Relations of Indonesia can be seen in the table below:

Table 5. Current Situation on Selected Data on Industrial Relations Instrument

No.	Instrument	Total
1	Labour Force	172,5 million
2	Company	226,617
3	Company Regulation	46,138
4	Bipartite Cooperation Body	13,916
5	Collective Labour Agreement	11,183
6	Tripartite Councils:	
	Province	33
	Regional/City	252
7	Workers' Social Security	10,705,883
8	Confederation	6
9	Federation	91
10	Worker Organization within Company	11,852
11	National Worker Organization within State Own Enterprises	170
12	Membership or Workers	3,414,455

Source: Saragih, et al. 2012: 8.

According to the Ministry of Manpower and Transmigration, in Indonesia, in 2011 (January-July) there are 4,242 reported cases of industrial disputes. A total of 2,429 have been decided by the courts and 311 cases were processed. In the same year, there were 303 cases of strike/protest involving 64,820 workers, and led to the loss of as many as 1,891,387 hours worked.

According to SMERU's findings in the field in 2003, workers, unions, enterprise unions, and employers were not satisfied with the proposed Industrial Relations Dispute Resolution Bill. Only a few of them are of the opinion that a special court for industrial relations disputes will improve the current situation. The Indonesian Prosperous Worker Organization believe that the resolution of industrial disputes through tripartite institutions have created corruption and collusion and therefore needs to be changed.

Few employers and labor unions understand in detail both the rationale and the Articles stipulated in the Bill. The opinions of those who are not satisfied with the Bill, are both wide and varied, and often based on misunderstanding. Both employers and employees are aware that if they seek solutions to industrial disputes through the courts, employers will be in a stronger position because they have more funds at their disposal. Industrial relations in practice can be examined from 4 major aspects, these are:

- 1) **Working conditions:** Although Indonesia's economic conditions are still unfavorable, most businesses ensure that workers' basic rights exist for their workers. Yet, because of the government's frequent changes to the minimum wage, a number of businesses have been forced to make several adjustments.
- 2) **The existence of labor unions:** As a result of the ratification of the ILO Convention No. 87, 1948 and Law No.21, 2000, the number of labor organizations in Indonesia has exploded. By the end of 2001, 61 National Workers Union Federations, one Confederation, more than 144 National Labor Unions, and approximately 11,000 enterprise unions are registered, with a reported total membership amounting to 11 million workers.
- 3) **Collective Labor Agreements:** Workplace agreements (now more commonly known as workplace contracts, and both are called collective labor agreements)

are regulated by Ministerial Decision No.Per-01/Men/85 on “Mechanisms Used to Formulate Workplace Agreements”. According to data from the Ministry of Manpower, in 1997 there were 163,846 businesses operating in Indonesia. Of these, 30,017 were medium-scale businesses, another 13,552 were large-scale businesses and 10,962 or 6.6% had collective labor agreements in place. In the same year, there were some 14,023 enterprise unions registered with the Ministry of Manpower, which indicated that 78% already had collective labor agreements in place. According to the general chairperson of the All Indonesia Workers’ Union (SPSI), there was some 23,525 collective labor agreements in place within Indonesian businesses in 1997, but only 12,747 internal enterprise unions have registered with the All-Indonesia Workers’ Union Federation (FSPSI), therefore at least 10,776 of all the collective labor agreements in place are “unofficial”. Up until January 2001, some 2,175 enterprise unions have been registered and 1,429 collective labor agreements have been agreed upon in East Java alone. As a means of comparison, as many as 4,504 internal enterprise regulations have been formulated during the same time period.

- 4) **Disputes as well as their resolution:** From the cases of industrial disputes and strikes found in the 47 enterprises visited, the main origins of disputes in most enterprise can be grouped into four categories:
- i. *Non-normative demands.* This refers to issues not regulated in legislation or collective labor agreements.
 - ii. *Normative demands.* These are demands for workers rights as stipulated in various laws and legislation, which are mutually agreed to in collective labor agreements.
 - iii. *Interference and involvement of third parties,* such as workers from other enterprises and other affiliated labor unions, often provoke workers to fight for their interests.
 - iv. *Pressure from a number of workers inside the enterprise,* forcing other workers to support their cause through demonstrations or strikes.

2.3.3. Analysis

From the exposure seem that Pancasila Industrial Relations only normative, good in concept but difficult to apply. This concept emphasizes the stability and co-operation. In fact, in industrial relations always occur conflicts of interest between the two parties that have balanced position, So it is very difficult realization of stability. Before the reform, workers have low bargaining position of employers. This is caused by the government's attitude has always defended employers because they are the owners of capital. Because of the government using authoritarian means, it has created stability in industrial relations, but it is apparent stability.

Post-reform, freedom and democracy increases, so the bargaining power of worker has been risen, so that they have equal bargaining position with employers. Consequently, demonstration/strike increased considerably if the workers are not satisfied, this gave rise to the instability of industrial relations. Unpreparedness of the government in addressing the dynamics of change of employers and workers make mutual suspicion. This causes the difficulty of resolving disputes industrial relations.

CHAPTER III

GOOD GOVERNANCE AND THE QUALITY OF INDUSTRIAL RELATIONS IN INDONESIA: A FIELD STUDY

This chapter by resting on a field study explains good governance and quality of industrial relations in Indonesia. This chapter with empirical study covers methodology, hypothesis, demographics, findings and analysis data. After that, there is level analysis of good governance and the quality of industrial relations, and statistical analysis to determine the correlation between the two variables.

3.1. METHODOLOGY

The method is used in this research is descriptive quantitative research methods in order to find the influence of the independent variable on the dependent variable. This method is expected to explain the phenomenon that is based on the data and information obtained. Below the researcher present a variety of things related to research methodology.

3.1.1. Research Sites

The research was conducted in several regions in Indonesia, namely Jakarta, Semarang, Depok, Tangerang, Pekanbaru, Bengkalis, and Perawang. These places have been having an industrial area and are located in the western part of Indonesia where the population is more dense, so it could be representative of the population.. In addition, researcher also interviewed or collected data from some of the central board of the trade unions, employer organization (APINDO), the Central Government (Ministry of Manpower and Transmigration) in Jakarta as the capital city of Indonesia.

3.1.2. Population and Sample

In this part the researcher describes the population and sample. It is part of the process to determine the person/party who made informant. The explanations are separated to clarify parts of the population and the sample.

3.1.2.1. Population

Based on data from the Indonesia Central Statistics Agency in 2010, the number of residents who work in Indonesia in August 2010, there were 108.21 million people. Based on these, the main work of the vast majority were worker totaled 51,414,983 people. They have many worker organization. Ministry of Cooperatives and Small and Medium Enterprises declare the number of entrepreneurs in Indonesia amounted to 1.6% of the total population (3,840,000). The employers only have one employer organization, that is The Employers' Association of Indonesia (APINDO).

The research units are 3 parties involved in industrial relations, namely: workers, employers, and government. The analysis units are organizations which to be representative for the parties, namely: trade unions as worker representatives, The Employers Association of Indonesia (APINDO) as employer representatives, and Ministry of Manpower and Transmigration as government representatives. Population is all of all parties involved in the practice of good governance and industrial relations. Total population in this research is the sum of the population of trade unions (91), employers (1 organization), and government (1 organization), these are 93.

3.1.2.2. Sample

The sample is part of the population who want to be observed. Sampling was intended as a representation of the entire population so that the conclusions also apply to the whole population. In this research, sample is representative of the each party, officials of Ministry of Manpower and Transmigration, boards of The Employers Association of Indonesia (APINDO), and boards of the trade unions.

In this research, the researcher has only drawn a sample of the population of worker organization because it has the large population size. Meanwhile, the population of The Ministry of Manpower and employer organization are not drawn sample because of the small population size. In sampling, the researcher used random sampling techniques. In this technique, all members of the population has the same probability or chance to be selected into the sample.

Questionnaires were distributed to 37 people from board of trade unions, 6 people from board employer organization, and 6 people from employees of the Ministry of Manpower and Transmigration. Thus, the total number of respondents are 49 people. Samples were taken from the organization's employees are 10 organizations (10.99% of the population). Besides distributes the questionnaire, the researcher also interviewed each one representative of the workers organizations, employer organization, and the Ministry of Manpower and Transmigration.

3.1.3. Data Collection

The researcher obtained necessary data/information using the techniques of data collection as follows:

1. Primary data collection techniques, namely the collection of data used directly in the study sites. Primary data collection was done with the instrument as follows:
 - a) Questionnaire methods, namely data collection techniques by disseminating a list of questions to the relevant parties.
 - b) Interview methods, namely data collection techniques performed by questions and answers directly to the relevant parties.
 - c) Observation methods, namely data collection techniques with direct observation of a number of references related to the research topic.
2. Secondary data collection techniques, namely:
 - a) Documentation, the data collection techniques using notes or any documents in the location of research and other resources relevant to the object of research.

- b) Literature study, the data collection techniques using a variety of literature such as books, magazines, journals, and research reports as well as others.

3.1.4. Score Determination

Through distributing questionnaires contained several questions posed to the respondent, then the specified score on each question. This determination is calculated based alternative answers 1,2,3,4, and 5 were given scores according to these number. To determine the category of respondent's answer whether classified as high, medium, low, the researcher determine the class interval. Based on respondents' answers alternative, then the class interval can be determined as follows:

Figure 4. Score Determination

The diagram illustrates the calculation of the class interval. It shows a green box on the left containing the formula:
$$\frac{\text{Highest Score} - \text{Lowest Score}}{\text{The amount of number}}$$
 A red arrow points to a yellow box on the right containing the simplified calculation:
$$\frac{5 - 1}{5} = 0.8$$

Thus it can be seen categories of respondent's answer for each of the variables:

- ✓ Score for the very low category = 1.00 - 1.80
- ✓ Scores for the low category = 1.81 - 2.60
- ✓ Score for the average category = 2.61 - 3.40
- ✓ Scores for the high category = 3.41 - 4.20
- ✓ Score for the very high category = 4.21 - 5.00

To determine the respondent's answer is high, medium, low, then from the total score of the variables will be determined the average by dividing the number of the question. From these results, it will be known categories of respondent's answer.

3.1.5. Data Analysis

In this research, the researcher uses quantitative data analysis techniques were used to examine the effect of independent variable to the dependent variable. The data comes

from interviews and observations are used to complement the quantitative data that already exist. Further, statistical tests performed by the following methods:

1. Product Moment Correlation Coefficient

This method is used to determine the existence and size of the relationship between independent variable and the dependent variable. The calculation method using the following formula:

$$r_{xy} = \frac{N \cdot \Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{[N \cdot \Sigma x^2 - (\Sigma x)^2] [N \cdot \Sigma y^2 - (\Sigma y)^2]}}$$

Description:

r_{xy} = correlative indices "r" product moment

N = Population

Σxy = Number of the multiplication of scores x and score y

Σx = Total number of scores X

Σy = Total number of scores Y

To see the relationship between two variables can be formulated as follows:

- a) The value of positive r_{xy} indicates a positive relationship between the two variables, meaning that an increase in the value of the variable followed by another variable.
- b) The value of negative r_{xy} indicates a negative relationship between the two variables, meaning that a decrease in the value of the variable followed by another variables.
- c) The value of r_{xy} equal to zero (0) indicates the two variables do not have a relationship means that one variable remains, despite the other variables changed.

From r_{xy} values obtained, it can be seen directly through the correlation table to test whether the value of r is meaningful or not. The correlation table lists the limits of r which significant, in this case a significant 5%. If the value of r is significant, it means that the hypothesis can be accepted.

Quantitative data in this research using an ordinal scale. There is still some debate among experts whether the attitude scale (eg, strongly agree, agree, somewhat agree, disagree, strongly disagree) in the category ordinal or interval. Also, Pearson test whether it is feasible to use the interval and ratio scale or at least ordinal can use it. Robert Ho stated that ordinal scale is worthy to use Pearson Correlation Test. Regarding whether the attitude scale included in the ordinal or interval scale, Donald P. Schwab replied that the attitude scale may be incorporated into the interval scale. Or, if not, at least "approaching interval." Schwab decided, thus statistical tests designed for interval scale can be used to scale that approaching interval.²¹

2. Coefficient of Determinant

This technique is used to determine to find a high or low correlation between the two variables, how percentage of the influence of independent variables on the dependent variable. The calculation is performed by squaring the product moment correlation coefficient (r_{xy}) and multiplied by 100%. The formula:

$$D = (r_{xy})^2 \times 100\%$$

Description:

D = Coefficient of Determinant

r_{xy} = Product Moment Correlation Coefficient

The value is produced from the operation is compared with the table below to determine the level of the correlation strength between two variables. This table was made by by Sugiono (2005: 149) in Ifdayanti (2011), namely:

²¹ Basri, S. 2011. (Access at 4/25/2014).

Table 6. Interpretation of the Correlation Strength

Interval Correlation	Level of Relationship
0 % – 19.9 %	Very low
20 % – 39.9 %	Low
40 % – 59.9 %	Average
60 % – 79.9 %	High
80 % – 100 %	Very high

Source: Sugiono, 2005 : 149 in Ifdayanti (2011).

3.2. HYPOTHESIS

Hypothesis is the temporary answer of a research where the truth needs to be tested and proven through research. The hypotheses in this research are:

1. H1: There is a positive and statistically significant relationship between the implementation of good governance and the quality of industrial relations. H0: There is not a statistically significant relationship between the implementation of good governance and the quality of industrial relations.
2. The implementation of good governance in Indonesia has been going well.
3. The quality of Industrial relations in Indonesia have bad conditions.
4. The Indonesian government does not successfully carry out their duties in industrial relations.

3.3. VALIDITY TEST

Test Validity is the extent to which the precision and accuracy of a measuring instrument in performing measuring function. A scale or measuring instrument can be said to have high validity if the instrument measuring function, or provide an appropriate outcome measure for the purpose of doing these measurements. While tests have low validity will result in data that are not relevant to the purpose of measurement. Since, in this study, number of participants is 49, an exploratory factor analysis to determine validity of the questionnaire was not performed. Studies having a sample

below 300 participants do not produce healthy results in factor analysis test (Hatcher, 1994; Tabachnick and Fidell, 1996).

3.4. RELIABILITY TEST

Reliability in a research means the overall consistency of a measure (Drost, 2011: 106). Measurement showed that the measuring instruments used in research has reliability as a measure, among others, measured through the consistency of measurement results over time if the phenomenon being measured does not change. The value is resulted of reliability measurement is ranged from 0-1 with the following interpretation:

- If $\alpha > 0.90$ is perfect reliability
- If α between 0.70 - 0.90 is high reliability
- If α between 0.50 - 0.70 is moderate reliability
- If $\alpha < 0.50$ is low reliability

Processing data using SPSS produces Cronbach's Alpha value. That is described on the site IDRE²², *“Cronbach’s alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A “high” value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. However, a high alpha does not imply that the measure is unidimensional. If, in addition to measuring internal consistency, you wish to provide evidence that the scale in question is unidimensional, additional analyses can be performed. Exploratory factor analysis is one method of checking dimensionality. Technically speaking, Cronbach’s alpha is not a statistical test – it is a coefficient of reliability (or consistency)”*.

Good governance is the independent variable in this research is given the symbol X. The Quality of Industrial Relations is the dependent variable in this research is given the symbol Y. Here are the results of the operation using SPSS:

²² Institute For Digital Research and Education, What does Cronbach's alpha mean?, <http://www.ats.ucla.edu/stat/spss/faq/alpha.html>, (Access at 3/5/2014).

Table 7. Reliability of Variable X and Y

Variable	Cronbach's Alpha	N of Items
X	.963	12
Y	.856	17

Based on the table above shows that the Cronbach's Alpha value for the Variable X is $0.963 > 0.90$, it means Good Governance has perfect reliability. The column N shows the number of categories of these variables is 12. Accordingly, it can be concluded that Variable of Good Governance is reliable for this research.

Based on the table above shows that the Cronbach's Alpha value for the Variable Y is 0.856 , it means The Quality Of Industrial Relations has high reliability. The column N shows the number of categories of these variables is 17. Accordingly, it can be concluded that Variable of The Quality of Industrial Relations are reliable for this research.

3.5. NORMAL DISTRIBUTION TEST

Normal distribution test is a test to measure whether the data has a normal distribution so that it can be used in parametric statistics (inferential statistics). If the data does not spread to normal, then the data should be done with statistics of non-parametric methods, that is a free statistical distribution (does not require the distribution of population parameters, either normal or not). Data are considered normal if the $\text{Sigma} > 0.05$, and was considered non-normal if the $\text{Sigma} < 0.05$.

There are two main methods to tests normality: graphically and numerically. The approaches can be divided into two ways, namely statistical tests or visual inspection. Statistical tests have the advantage to makes an objective judgement, but are disadvantaged by sometimes not being sensitive enough at low sample sizes or overly sensitive to large sample sizes. Some statisticians prefer to use their experience to use graphs. Graphical interpretation can makes good judgement to assess normality in situations when numerical tests might be over or under sensitive. But, If you do not have many experience interpreting normality graphically, it is probably best to rely on

the numerical methods. In this research, researcher used numerical method with statistical test. Researcher used the Kolmogorov-Smirnov Test. The following table is the result of processing the data:

Table 8. Kolmogorov-Smirnov Test

		Good Governance	The Quality Of Industrial Relations
N		49	49
Normal Parameters ^a	Mean	33.2449	49.4082
	Std. Deviation	9.87322	8.38132
Most Extreme Differences	Absolute	.125	.130
	Positive	.125	.130
	Negative	-.089	-.069
Kolmogorov-Smirnov Z		.874	.910
Asymp. Sig. (2-tailed)		.430	.379
a. Test distribution is Normal.			

N shows the number of respondent who totaled 49. In the table above shows that the value of sigma of Good Governance is $0.430 > 0.05$, and the value of sigma The Quality Of Industrial Relations are $0.379 > 0.05$. This indicates that all of data are normally distributed.

3.6. FINDINGS AND DISCUSSIONS

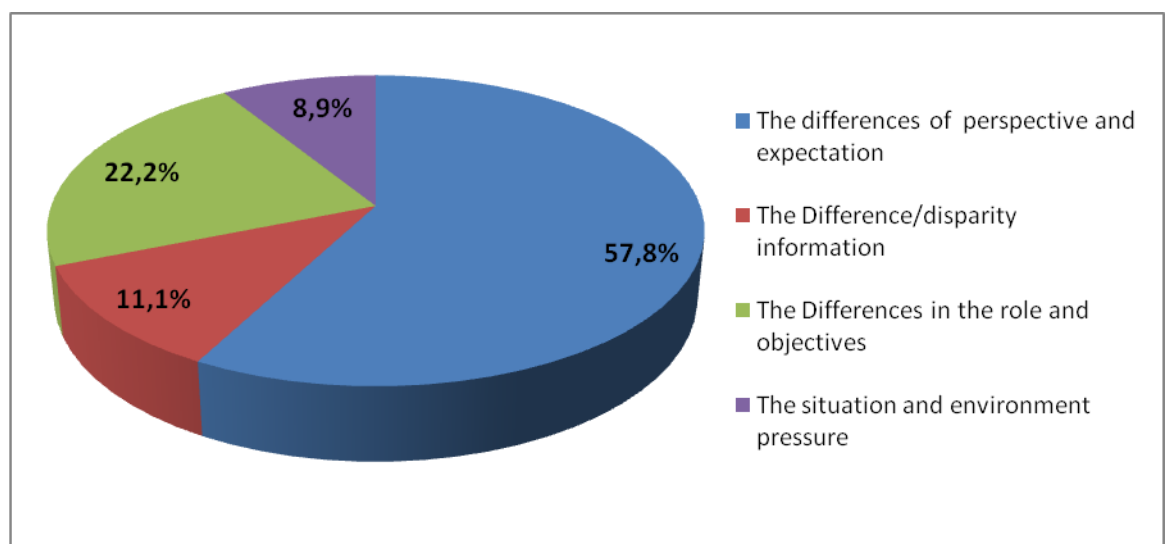
This part displays the data found in the field and the results of its processing. Quantitative data has been processed using SPSS for ease of understanding. Qualitative data presented directly, to provide an explanation or supporting quantitative data.

3.6.1. The Main Problem in Industrial Relations

This question was asked to know the main problem in industrial relations in Indonesia. Then the researcher conducted in-depth interviews. Here are the results from SPSS data processing:

Table 9. The Main Problem in Industrial Relations in Indonesia

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid The differences of perspective and expectation	26	57.8	57.8	57.8
The Difference/disparity information	5	11.1	11.1	68.9
The Differences in the role and objectives	10	22.2	22.2	91.1
Situation and environment pressure	4	8.9	8.9	100.0
Total	45	100.0	100.0	

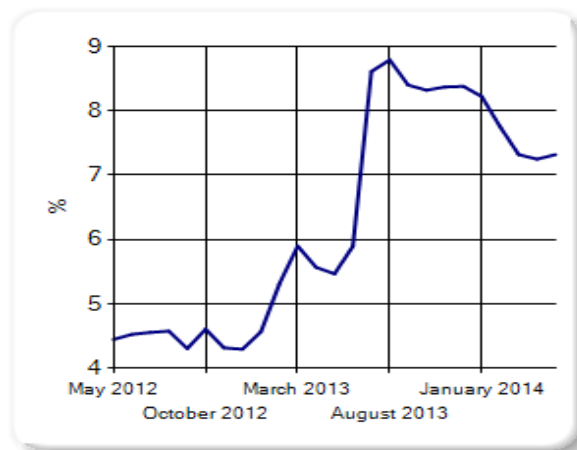
Figure 5. The Main Problem in Industrial Relations in Indonesia

The results of data processing shows that the main problem in industrial relations in Indonesia is the differences of perspective and expectation of each party. The workers perceive industrial relations as a way/tool to create justice. While employers perceive industrial relations as a way/tool to increase bargaining power. The workers expect, with industrial relations, they could fight for their interests to earn a high income, humane working hours, and long vacation time. While employers expect, industrial relations can increase their profits, usually by pressing the salary costs of their workers.

The other problems in industrial relations in Indonesia are differences in the roles and objectives of each party. The employer has role as boss and has the objective to get high profits by increasing sales and reduce production costs, including employee salaries. Meanwhile, the worker has role as a subordinate who has objectives to get a high salary and working hours slightly. Then, the difference/disparity information between worker and employer. This often happens because each party, both workers and employers each other with suspicion. It makes each party acting on the basis of mutual prejudices and hide information that they have (not honest). As a result there is a difference/gap of information between both parties. For example, workers always feel deprived so they demand a lot of things to employers. Instead employers always claimed loss so they can not meet the demands of workers. The workers filed a decent living components these are not real, and employers do not provide or conceal the real company's financial statements.

Finally, the situation and environment pressure which occurs due to the needs or lifestyle and the economic crisis in United States and Europe. The rising cost of living caused by to rising inflation Indonesia in the last 5 years (2008-2013). In addition, rising middle class in Indonesia in 2010 by 36% to 56.5% in 2013 (Ministry of Economy of the Republic of Indonesia, 2013), participated boost lifestyles of workers. On the employer side, the economic crisis in United States and Europe have lowered their export earnings. This makes their objections to raise the salaries of their employees.

Figure 6. Indonesia Inflation (December 2008 - December 2013)



Source: Bank Indonesia. 2014: (Access at 4/27/2014).

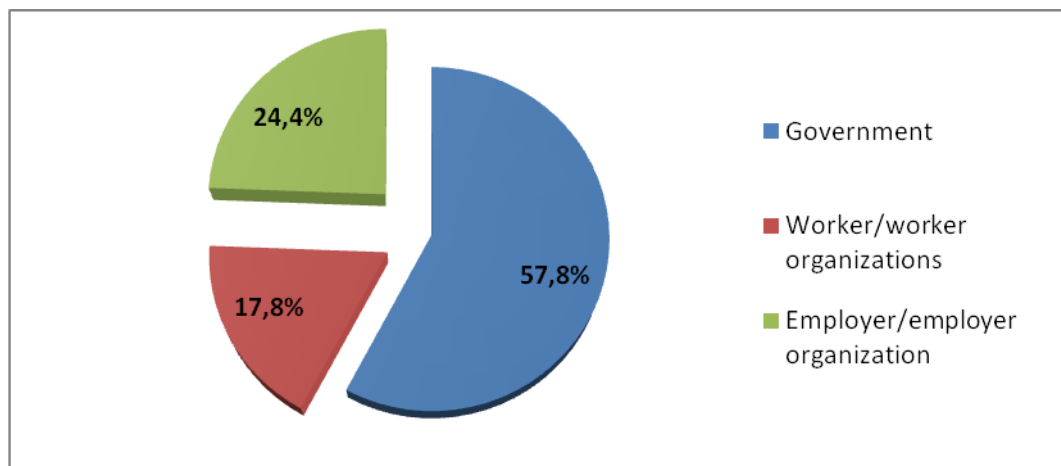
3.6.2. The Most Problematic Party in Industrial Relations

The question was asked to obtain information about the most problematic party in industrial relations in Indonesia. The answers given by respondents were then explored in-depth interviews, so that researcher can comprehensively analyze. The table and figure below describes the results of the respondent answers.

Table 10. The Most Problematic Party in Industrial Relations in Indonesia

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Government	26	57.8	57.8	57.8
Worker/worker organization	8	17.8	17.8	75.6
Employer/employer organization	11	24.4	24.4	100.0
Total	45	100.0	100.0	

Figure 7. The Most Problematic Party in Industrial Relations in Indonesia



These results indicate that the problem is the government. It can be understood because the majority of respondents are board of trade unions. According to Andi Hadiar

Putra²³, one of the board of worker organization, in Indonesia industrial relations, the government is not firmly in the running rules. In a list of guidelines for decent living, and wage determination, the existing rules are made clear, but the government often did not carry it out. Likewise, if there are violations committed by employer/company, there is no strict punishment of government.

According to Iqbal, one of the board of employer organization, the government has great power bargaining. They should be able to create and run a firm policy to regulate employers and workers. Employers actually just follow the rules, whatever the rules they follow. But, the problem is the government is not consistent in implementing the regulations made by them.²⁴ .

The government party was represented by Sri Mulyono has been answered about government indecision.²⁵ According to him, law was created to be implemented. But sometimes there is a collective bargaining agreement was made by workers and employer, it has a higher position. We as mediators encourage them to obey it. In cases like this, we would encourage the application of collective bargaining agreement rather than the application of the law. It is understood by workers and employers as government indecision. In Indonesia industrial relations, both the employers and the workers are equally problematic. For example, there is a company that lay off their workers and provide no severance pay in accordance with the regulations, this will lead to conflict. Then on the other hand, there are workers who requested beyond the limits of the provisions, it also poses a problem.

Based on these facts it can be concluded that there have been differences in the resolution of conflicts in industrial relations in Indonesia. The employers and the workers agreed to blame the government for not enforcing the rules firmly. This view there because of the government more encourages the achievement of collective bargaining agreement. This is the job of government to promote conflict resolution

²³ Interview with Andi Hadiar Putra, Chairman of The Confederation of SPSI (worker Organization), on 20 September 2013.

²⁴ Interview with Iqbal Iskandar Alam, Vice Chairman of The K3LH's Section at Indonesia Employer Association (APINDO) branch of Depok City, on 10 July 2013.

²⁵ Interview with Sri Mulyono, Staff of Directorate of Institutional and Correctional Industrial Relations, Ministry of Manpower and Transmigration, on 26 September 2013.

stage to workers and employers, so that they understand and prioritize the application of collective bargaining agreements rather than enforcement of regulations/legislation.

3.6.3. Participation

This category shows involvement of all parties involved in industrial relations, namely employer/employer organization, worker/worker organization, government, and NGO (ILO). The research result is shown by the tables below:

Table 11. The Government's Effort to Involve Workers and Employers in Policy Making

N	Valid	49
	Missing	0
Mean		2.7959
Median		3.0000
Mode		3.00
Std. Deviation		1.13614
Variance		1.291
Minimum		1.00
Maximum		5.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 12. Percentage of The Government's Effort to Involve Workers and Employers in Policy Making

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	7	14.3	14.3	14.3
	2	12	24.5	24.5	38.8
	3	18	36.7	36.7	75.5
	4	8	16.3	16.3	91.8
	5	4	8.2	8.2	100.0
	Total	49	100.0	100.0	

The research result shows “the government effort to involve workers and employers in policy making” at the average level. Because of policy-making is government authority, so that the participation level of workers and employers depend on the willingness of the government to open up participation channels. Thus, we can conclude the level of participation of workers and employers on policy-making in industrial relations in Indonesia at the average level.

3.6.4. Rule of Law

This category shows fair to all parties, particularly employers and workers. Impartial enforcement of laws for all parties involved and an impartial and incorruptible police force. The research result is shown by the tables below:

Table 13. The Government’s Effort to Enforce the Rules

N	Valid	49
	Missing	0
Mean		2.5918
Median		3.0000
Mode		3.00
Std. Deviation		1.01895
Variance		1.038
Minimum		1.00
Maximum		5.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 14. Percentage of The Government's Effort to Involve Workers and Employers in Policy Making

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	8	16.3	16.3	16.3
	2	14	28.6	28.6	44.9
	3	18	36.7	36.7	81.6
	4	8	16.3	16.3	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “the government's effort to enforce the rules” at the average level. According to Peri Akri²⁶, there is incompetence of government officials in field of manpower. Many officials, ranging from staff to department head do not know or not understand the rules. This occurs because the pattern of recruitment, appointment and determination of department heads is not based on skill. This is dangerous because when there is a case, he as a man where people ask would give the wrong answer or multiple interpretations. In addition, there is indecision in implementing government regulations.²⁷ Many regulations have been made, but they are not executed. The government denies these things as indecisiveness run rule/law. They prefer dialogue rather than strictly adhering to the rule/law.²⁸

Based on the point 3.6.1., The main problem in industrial relations is the differences of perspective and expectation of each party. To that end, the best conflict management approach is collaborating. Under the collaboration, the government as a mediator not only encourage formed consensus agreement between employers and workers, but also to enforce the rule/law are clear that each party believes in government. In addition, the reluctance of the Government to enforce the rule/law can make each party mutually suspicious of each other, making it difficult collaborative process to resolve the conflict.

²⁶ Interview with Peri Akri, General Secretary of APINDO (Indonesia Employers Union) branch of Riau Province, on 20 March 2014

²⁷ Interview with Iqbal Iskandar Alam, *op. cit.*

²⁸ Interview with Sri Mulyono, *op. cit.*

3.6.5. Transparency

This category shows openness and clarity of decision making and well availability of information for all parties involved. The research result is shown by the tables below:

Table 15. The Government Transparency in Decision Making

N	Valid	49
	Missing	0
Mean		2.6122
Median		3.0000
Mode		3.00
Std. Deviation		1.01686
Variance		1.034
Minimum		1.00
Maximum		5.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 16. Percentage of The Government Transparency in Decision Making

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	8	16.3	16.3	16.3
2	12	24.5	24.5	40.8
3	22	44.9	44.9	85.7
4	5	10.2	10.2	95.9
5	2	4.1	4.1	100.0
Total	49	100.0	100.0	

The research result shows “the government transparency in decision making” at the average level. According to the trade unions,²⁹ the government is less transparent in making decisions. For example, a survey of the needs a decent living. So far, the results

²⁹ Interview with Andi Hadjar Putra, *op. cit.*

of the survey known only by The Wage Board. Workers just know the minimum wage has been set by a mechanism that is not necessarily accommodate the worker needs a decent living. Meanwhile, the government is not too bold transparent, because they worry about being opposed by labor organizations before the policy is discussed. Previous experiences indicate that many industrial relations negotiations/discussions failed because the workers' organizations boycott or demonstration.

3.6.6. Responsiveness

This category shows each institution and the process should be directed at efforts to serve a variety of interested parties (stakeholders). The research result is shown by the tables below:

**Table 17. The Government
Responsiveness to the Demands of
Stakeholders**

N	Valid	49
	Missing	0
Mean		2.7959
Median		3.0000
Mode		2.00
Std. Deviation		.91241
Variance		.832
Minimum		1.00
Maximum		5.00
Sum		137.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 18. Percentage of The Government Responsiveness to the Demands of Stakeholders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	4.1	4.1	4.1
	2	19	38.8	38.8	42.9
	3	16	32.7	32.7	75.5
	4	11	22.4	22.4	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “the government responsiveness to the demands of stakeholders” at the bad level. According to a board of worker organization³⁰, As long as this government is less responsive to the needs of workers. For example, in the determination of wages, when annual inflation soared above 10%, the government just raised the minimum wage by 10%. It shows that the government does not pay attention to the workers who bear the increase of inflation above salary hike.

3.6.7. Consensus Oriented

This category shows government's role in resolving the conflict by encouraging the achievement of consensus. Langkah konkrit yang dapat diambil oleh pemerintah adalah mendorong adanya mediasi untuk menghasilkan konsensus. The research result is shown by the tables below:

³⁰ Interview with Rusmiatun, Board of SBSI (Worker Organization), on 22 September 2013.

Table 19. The Government Efforts to Encourage the Implementation of Mediation

N	Valid	49
	Missing	0
Mean		3.0408
Median		3.0000
Mode		3.00
Std. Deviation		.91194
Variance		.832
Minimum		1.00
Maximum		5.00
Sum		149.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 20. Percentage of The Government Efforts to Encourage the Implementation of Mediation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	2	4.1	4.1	4.1
2	10	20.4	20.4	24.5
3	24	49.0	49.0	73.5
4	10	20.4	20.4	93.9
5	3	6.1	6.1	100.0
Total	49	100.0	100.0	

The research result shows “the government efforts to encourage the implementation of mediation” at the average level. This is due to the government's attitude that seemed to wait until there is a conflict. After that they act, to encourage mediation to reach consensus. The government's efforts have not been maximized for workers organizations and employers organizations.

3.6.8. Equity

This category shows creating equality and inclusiveness in interactions between actors involved in industrial relations. In the questionnaire the researcher to separate the question about equity and inclusiveness. Equity is defined as the government's efforts to uphold equity for the workers and the employers. The research result is shown by the tables below:

Table 21. The Government Efforts to Uphold Equity

N	Valid	49	
	Missing	0	
Mean		2.4898	Annotation:
Median		2.0000	1.00 = Very bad
Mode		2.00	2.00 = Bad
Std. Deviation		.91566	3.00 = Average
Variance		.838	4.00 = Good
Minimum		1.00	5.00 = Very good
Maximum		4.00	
Sum		122.00	

Table 22. Percentage of The Government Efforts to Uphold Equity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	7	14.3	14.3	14.3
	2	18	36.7	36.7	51.0
	3	17	34.7	34.7	85.7
	4	7	14.3	14.3	100.0
	Total	49	100.0	100.0	

The research result shows “ the government efforts to uphold equity” at the bad level. The government tends to play it safe in resolving the conflict between workers and employers, rather than uphold justice. This resulted in workers and employers feel unfairly treated by the government.

3.6.9. Inclusiveness

Inclusiveness is treating all groups or all members of a group equally and without exception. Inclusiveness is a system’s capacity to embrace social complexity and optimize the contributions of its diverse constituents. In this research, inclusiveness is defined as the government's efforts to promote unity for the workers and the employers. The research result is shown by the tables below:

Table 23. The Government Effort to Promote Unity

N	Valid	49
	Missing	0
Mean		2.8980
Median		3.0000
Mode		3.00
Std. Deviation		.96274
Variance		.927
Minimum		1.00
Maximum		5.00
Sum		142.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 24. Percentage of The Government Effort to Promote Unity

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	4	8.2	8.2	8.2
2	11	22.4	22.4	30.6
3	22	44.9	44.9	75.5
4	10	20.4	20.4	95.9
5	2	4.1	4.1	100.0
Total	49	100.0	100.0	

The research result shows “the government's efforts to promote unity” at the average level. The government has successfully made a few rules to guide interaction in industrial relations. However, the failure of the government to be assertive in enforcing the rules, sometimes lead to a feud between the trade unions and employer organization. This is what makes the perception that the government is not too good to create unity.

3.6.10. Effectiveness

This category shows each process/activity in industrial relations geared to produce something that really fit the needs through properly utilizing the various resources available. Effectiveness has categories derived from the role of government in industrial relations, these are:

3.6.10.1. Build an Enabling Environment

It is defined as the government's efforts to create conducive environment for the realization of good industrial relations. The research result is shown by the tables below:

Table 25. The Government Efforts to Create a Conducive Environment

N	Valid	49
	Missing	0
Mean		2.7551
Median		3.0000
Mode		3.00
Std. Deviation		1.01099
Variance		1.022
Minimum		1.00
Maximum		5.00
Sum		135.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 26. Percentage of The Government Efforts to Create a Conducive Environment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	5	10.2	10.2	10.2
	2	14	28.6	28.6	38.8
	3	21	42.9	42.9	81.6
	4	6	12.2	12.2	93.9
	5	3	6.1	6.1	100.0
	Total	49	100.0	100.0	

The research result shows “the government's efforts to create a conducive environment” at the average level. The regulations that the government has made little success to make conditions conducive to industrial relations. However, implementation is still worrying for the workers and employers. The workers were forced marches to force the employers and the government to keep the rules that have been agreed. Meanwhile, employers are not too bold to increase their investment in the absence of guarantee that the rules will run. All of these resulted in a loss of trust and increased suspicion of each party, which led to a relationship that is not conducive.

3.6.10.2. Provide Legal and Institutional Support

It is defined as the government's efforts to provide the legal and institutional support for industrial relations. It is very necessary to give rise to legal certainty and the trust of workers and employers to government. The research result is shown by the tables below:

Table 27. The Government Efforts to Provide the Legal and Institutional Support

N	Valid	49
	Missing	0
Mean		2.8776
Median		3.0000
Mode		3.00
Std. Deviation		1.05342
Variance		1.110
Minimum		1.00
Maximum		5.00
Sum		141.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 28. Percentage of The Government Efforts to Provide the Legal and Institutional Support

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	12.2	12.2	12.2
	2	9	18.4	18.4	30.6
	3	22	44.9	44.9	75.5
	4	9	18.4	18.4	93.9
	5	3	6.1	6.1	100.0
	Total	49	100.0	100.0	

The research result shows “the government's efforts to provide the legal and institutional support” at the average level. It is also a result of government indecision in enforcing regulations. Workers and employers lack believe in the government's role. This distrust also backfires to the government. They difficult to convince the government and employers that they will make a fair decision. As a result, conflicts or disputes arising spend a long time to be resolved.

3.6.10.3. Create the Conditions for Independent and Representative Organizations

It is defined as the government's efforts to encourage the formation of worker and employer organizations are independent and representative. This is important because it guarantees the freedom of association and assembly for each party. The research result is shown by the tables below:

Table 29. The Government Efforts to Create the Conditions for Independent and Representative Organizations

N	Valid	49
	Missing	0
Mean		3.0204
Median		3.0000
Mode		3.00
Std. Deviation		.90115
Variance		.812
Minimum		1.00
Maximum		5.00
Sum		148.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 30. Percentage of The Government Efforts to Create the Conditions for Independent and Representative Organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	1	2.0	2.0	2.0
2	14	28.6	28.6	30.6
3	19	38.8	38.8	69.4
4	13	26.5	26.5	95.9
5	2	4.1	4.1	100.0
Total	49	100.0	100.0	

The research result shows “the government's efforts to create the conditions for independent and representative organizations” at the average level. During the New Order regime of freedom of association and assembly workers are always constrained. At that time there was only one union that is recognized by the government. Although the regime has changed, and the government has given the freedom to establish worker organization, but there is still a sense of the trauma of workers to establish organizations.

3.6.11. Efficiency

Efficiency have categories derived from the role of government in industrial relations. It is defined as the efficiency of the government's role on industrial relations in Indonesia.

The research result is shown by the tables below:

Table 31. The Efficiency of the Government's Role in Industrial Relations

N	Valid	49
	Missing	0
Mean		2.7551
Median		3.0000
Mode		3.00
Std. Deviation		.87870
Variance		.772
Minimum		1.00
Maximum		5.00
Sum		135.00

Annotation:
 1.00 = Very bad
 2.00 = Bad
 3.00 = Average
 4.00 = Good
 5.00 = Very good

Table 32. Percentage of The Efficiency of the Government's Role in Industrial Relations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	5	10.2	10.2	10.2
2	10	20.4	20.4	30.6
3	27	55.1	55.1	85.7
4	6	12.2	12.2	98.0
5	1	2.0	2.0	100.0
Total	49	100.0	100.0	

The research result shows “the efficiency of the government's role in industrial relations” at the average level. Workers and employers feel that the government is less efficient, because the ambiguity and vagueness of the government makes a protracted conflict and its resolution becomes increasingly complicated. It also can be seen from the number of lost working hours because workers staged a demonstration and follows the trial process in court.

3.6.12. Accountability

This category shows accountability of government to the public, particularly those who are involved in industrial relations. In industrial relations, the government is the leader, while workers and employers are the people. Therefore, the government should be accountable for workers and employers. The research result is shown by the tables below:

Table 33. The Government's Accountability in Industrial

N	Valid	49
	Missing	0
Mean		2.6122
Median		3.0000
Mode		3.00
Std. Deviation		.95342
Variance		.909
Minimum		1.00
Maximum		5.00
Sum		128.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 34. Percentage of The Government's Accountability in Industrial

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	12.2	12.2	12.2
	2	15	30.6	30.6	42.9
	3	22	44.9	44.9	87.8
	4	4	8.2	8.2	95.9
	5	2	4.1	4.1	100.0
	Total	49	100.0	100.0	

The research result shows “the government’s accountability in industrial relations” at the average level. The government's attitude is much more waiting for conflict resolution between workers and employers rise to the perception that the government is less accountable. This is a bad perception to be changed by the government to increase the trust of workers and employers.

3.6.13. Information Sharing in the Relationship

This category shows the extent to which the actor openly shares information that may be useful to the relationship with the other actor. The proposed construct comprises three items:

3.6.13.1. The Frequency of Discussion of Strategic Issues

It's to see the willingness of each party to discuss strategic things. The research result is shown by the tables below:

Table 35. Frequency of Tripartite Discussions for Strategic Issues

N	Valid	49
	Missing	0
Mean		2.3265
Median		2.0000
Mode		2.00
Std. Deviation		1.16168
Variance		1.349
Minimum		1.00
Maximum		5.00
Sum		114.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 36. Percentage of Frequency of Tripartite Discussions for Strategic Issues

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	13	26.5	26.5	26.5
2	18	36.7	36.7	63.3
3	10	20.4	20.4	83.7
4	5	10.2	10.2	93.9
5	3	6.1	6.1	100.0
Total	49	100.0	100.0	

The research result shows “The frequency of discussion of strategic issues” between government, worker organization, and employer organization at the bad level.

3.6.13.2. The Sharing of Confidential Information

It's to see the willingness of each party to share important information in order to improve the quality of industrial relations. The research result is shown by the tables below:

Table 37. The Sharing of Confidential Information

N	Valid	49
	Missing	0
Mean		2.0408
Median		2.0000
Mode		2.00
Std. Deviation		.91194
Variance		.832
Minimum		1.00
Maximum		4.00
Sum		100.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 38. Percentage of The Sharing of Confidential Information

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	16	32.7	32.7	32.7
2	18	36.7	36.7	69.4
3	12	24.5	24.5	93.9
4	3	6.1	6.1	100.0
Total	49	100.0	100.0	

The research result shows “the sharing of confidential information” between government, trade unions, and employer organization at the bad level.

3.6.13.3. The Frequency of Tripartite Discussions to Discuss the Work Plan

It's to see the cooperation between the various parties to prepare a work plan together.

The research result is shown by the tables below:

Table 39. Frequency of Tripartite Discussions about the Work Plan of Each Party

N	Valid	49
	Missing	0
Mean		2.4286
Median		2.0000
Mode		2.00
Std. Deviation		.93541
Variance		.875
Minimum		1.00
Maximum		5.00
Sum		119.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 40. Percentage of Frequency of Tripartite Discussions about the Work Plan of Each Party

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	7	14.3	14.3	14.3
	2	21	42.9	42.9	57.1
	3	15	30.6	30.6	87.8
	4	5	10.2	10.2	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “the frequency of tripartite discussions about the work plan of each party” at the bad level.

Based on 3 sub categories of information sharing in the relationship, all of which are at the level of bad. This indicates that the sharing of information between the parties involved in industrial relations is bad. It is caused by a lack of mutual trust between the parties.

3.6.14. Communication quality of the relationship

This category shows communication quality of the relationship reflects “the nature and extent of formal and informal communications during the strategy making process”. Formal communication between parties, referring to communication through written form and formal meetings, informal forms of communication are more personalized. While formal communication tends to be planned, precise and structured, informal communication tends to be unplanned, vague and ad hoc. This category is divided into two sections, these are:

3.6.14.1. The Frequency of Tripartite Formal Discussion

The research result is shown by the tables below:

Table 41. The Frequency of Tripartite Formal Discussion

N	Valid	49
	Missing	0
Mean		2.4082
Median		2.0000
Mode		2.00
Std. Deviation		.97721
Variance		.955
Minimum		1.00
Maximum		5.00
Sum		118.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 42. Percentage of The Frequency of Tripartite Formal Discussion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	9	18.4	18.4	18.4
	2	18	36.7	36.7	55.1
	3	16	32.7	32.7	87.8
	4	5	10.2	10.2	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “the frequency of tripartite formal discussion” at the bad level.

3.6.14.2. The Frequency of Tripartite Informal Discussion

The research result is shown by the tables below:

Table 43. The Frequency of Tripartite Informal Discussion

N	Valid	49
	Missing	0
Mean		2.3878
Median		2.0000
Mode		3.00
Std. Deviation		.97503
Variance		.951
Minimum		1.00
Maximum		5.00
Sum		117.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 44. Percentage of The Frequency of Tripartite Informal Discussion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	10	20.4	20.4	20.4
	2	16	32.7	32.7	53.1
	3	18	36.7	36.7	89.8
	4	4	8.2	8.2	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “the frequency of tripartite informal discussion” at the average level.

For the category of communication quality, it can be concluded that this is not maximized. Frequency of formal discussion at the bad level, and informal discussions at the average level. This suggests that communication is a major problem in industrial relations in Indonesia.

3.6.15. Long-term Relationship Orientation

Long-term relationship orientation may be defined as the perception of mutual dependence of outcomes in such a way that joint relationship outcomes are expected to profit from the relationship in the long run. The construct long-term relationship orientation captures actor's desire to develop a long-term relationship, namely, in terms of long-run profitability and maintenance of the relationship, long-term goals and long-run concessions. The research result is shown by the tables below:

Table 45. The Profitability of Industrial Relations in the Long Term

N	Valid	49
	Missing	0
Mean		3.3878
Median		3.0000
Mode		3.00
Std. Deviation		1.01686
Variance		1.034
Minimum		1.00
Maximum		5.00
Sum		166.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 46. Percentage of The Profitability of Industrial Relations in the Long Term

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	2.0	2.0	2.0
	2	7	14.3	14.3	16.3
	3	22	44.9	44.9	61.2
	4	10	20.4	20.4	81.6
	5	9	18.4	18.4	100.0
	Total	49	100.0	100.0	

The research result shows “the profitability of industrial relations in the long term” at the average level. Profitability of a relationship as an indication of long-term orientation relationship between actors are at a medium level, not pessimistic and not optimistic. This is due to the satisfaction of the industrial relations are at average level (see 3.6.16.).

3.6.16. The Satisfaction with the Relationship

This category shows satisfaction of the parties involved in industrial relations. The research result is shown by the tables below:

Table 47. The Satisfaction on the Industrial Relations

N	Valid	49
	Missing	0
Mean		3.0612
Median		3.0000
Mode		3.00
Std. Deviation		.98759
Variance		.975
Minimum		1.00
Maximum		5.00
Sum		150.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 48. Percentage of The Satisfaction on the Industrial Relations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	5	10.2	10.2	10.2
	2	6	12.2	12.2	22.4
	3	20	40.8	40.8	63.3
	4	17	34.7	34.7	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “the satisfaction on the industrial relations” at the average level. It is caused by a lack of trust in the measures taken by the government. One is the way the government has always emphasized compromise or middle ground. As a result, both workers and employers are not satisfied with the industrial relations. This is the major task of the government to improve the standard of satisfaction of workers and employers, as this becomes decisive indicator of the performance of public services in the field of industry.

3.6.17. Trust

This category shows the level of trust between the parties involved. It is built when the actor has confidence in other actor’s reliability and integrity. The research result is shown by the tables below:

Table 49. Trust Between Each of The Parties

N	Valid	49
	Missing	0
Mean		3.2041
Median		3.0000
Mode		3.00
Std. Deviation		.81598
Variance		.666
Minimum		1.00
Maximum		5.00
Sum		157.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 50. Percentage of Trust Between Each of The Parties

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	6.1	6.1	6.1
	2	2	4.1	4.1	10.2
	3	27	55.1	55.1	65.3
	4	16	32.7	32.7	98.0
	5	1	2.0	2.0	100.0
	Total	49	100.0	100.0	

The research result shows “trust between each of the parties in industrial relations” at the average level. This occurs as a result of the problems outlined above and the lack of communication between the parties. Worker suspects employers and government flirts behind, and employer suspects the government is taking the sympathy of the workers. Therefore, trust is an important factor to be improved.

3.6.18. Commitment

Commitment to a relationship entails a desire to develop a stable relationship, a willingness to make short term sacrifices to maintain the relationship, and a confidence in the stability of the relationship. Commitment covers the tendency to expand a strong relationship, the willingness for a long-term relationship, and having confidence in the steadiness of the relationship. This category is divided into three sections, these are:

3.6.18.1. Readiness to Sacrifice on Industrial Relations

The research result is shown by the tables below:

Table 51. Readiness between Each of the Parties to Sacrifice

N	Valid	49
	Missing	0
Mean		3.7347
Median		4.0000
Mode		4.00
Std. Deviation		.56919
Variance		.324
Minimum		3.00
Maximum		5.00
Sum		183.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 52. Percentage of Readiness between Each of the Parties to Sacrifice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	16	32.7	32.7	32.7
	4	30	61.2	61.2	93.9
	5	3	6.1	6.1	100.0
	Total	49	100.0	100.0	

The research result shows “readiness between each of the parties to sacrifice on industrial relations” at the good level. This is an interesting finding which indicates that each party has a strong willingness to make sacrifices to improve the quality of industrial relations. That is the hope to make further improvements.

3.6.18.2. Belief to the Ongoing Industrial Relations

Belief in continuation of a relationship for the future is a prerequisite for improvement. This is a way to see the hope of a relationship. The research result is shown by the tables below:

Table 53. Belief between Each of the Parties to the Ongoing Industrial Relations

N	Valid	49
	Missing	0
Mean		3.5102
Median		4.0000
Mode		4.00
Std. Deviation		.79379
Variance		.630
Minimum		1.00
Maximum		5.00
Sum		172.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 54. Percentage of Belief between Each of the Parties to the Ongoing Industrial Relations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	2.0	2.0	2.0
	2	4	8.2	8.2	10.2
	3	15	30.6	30.6	40.8
	4	27	55.1	55.1	95.9
	5	2	4.1	4.1	100.0
	Total	49	100.0	100.0	

The research result shows “belief between each of the parties to the ongoing industrial relations” at the good level. It became evident that basically each party believe to the relationship that they were living. However, this trust can be damaged if any party violates the agreement. It should be seriously considered by each party, because belief in a relationship is the important foundation.

3.6.18.3. Desire to Run Industrial Relations in the Long Term

It is also in order to see an opportunity to improve industrial relations in the future. Through this category can be known the actors desire to keep running the industrial relations. The research result is shown by the tables below.

Table 55. Desire between Each of the Parties to Run Industrial Relations in the Long Term

N	Valid	49
	Missing	0
Mean		3.9388
Median		4.0000
Mode		4.00
Std. Deviation		.65854
Variance		.434
Minimum		2.00
Maximum		5.00
Sum		193.00

Annotation:

- 1.00 = Very bad
- 2.00 = Bad
- 3.00 = Average
- 4.00 = Good
- 5.00 = Very good

Table 56. Percentage of Desire between Each of the Parties to Run Industrial Relations in the Long Term

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2	1	2.0	2.0	2.0
3	9	18.4	18.4	20.4
4	31	63.3	63.3	83.7
5	8	16.3	16.3	100.0
Total	49	100.0	100.0	

The research result shows “desire between each of the parties to run industrial relations in the long term” at the good level. This indicates there is still hope to improve industrial relations in the future.

From the three sub-categories of commitment, it all is at a good level. This indicates that each party has a commitment to run the quality industrial relations. It becomes a great hope in a future that industrial relations can still be improved.

3.6.19. Achievement of the objectives of industrial relations

This achievement is measured with 6 objectives of industrial relations is explained at point 1.2.2. page 17, these are:

3.6.19.1. Protection of the Interests of Employer and Worker

The research result is shown by the tables below:

Table 57. Protection of the Interests of Employer and Worker

N	Valid	49
	Missing	0
	Mean	2.9388
	Median	3.0000
	Mode	3.00
	Std. Deviation	.82685
	Variance	.684
	Minimum	1.00
	Maximum	5.00
	Sum	144.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 58. Percentage of Protection of the Interests of Employer and Worker

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	2	4.1	4.1	4.1
2	11	22.4	22.4	26.5
3	25	51.0	51.0	77.6
4	10	20.4	20.4	98.0
5	1	2.0	2.0	100.0
Total	49	100.0	100.0	

The research result shows “protection of the interests of employer and worker” in Indonesia at the average level.

3.6.19.2. Worker Productivity Increases as a Result of the Industrial Relations

The research result is shown by the tables below:

Table 59. Worker Productivity Increases as a Result of The Industrial Relations

N	Valid	49
	Missing	0
Mean		3.3265
Median		3.0000
Mode		3.00
Std. Deviation		.80072
Variance		.641
Minimum		2.00
Maximum		5.00
Sum		163.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 60. Percentage of Worker Productivity Increases as a Result of The Industrial Relations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	7	14.3	14.3	14.3
	3	22	44.9	44.9	59.2
	4	17	34.7	34.7	93.9
	5	3	6.1	6.1	100.0
	Total	49	100.0	100.0	

The research result shows “worker productivity increases as a result of the industrial relations” in Indonesia at the average level.

3.6.19.3. Industrial Democracy Based on Partnerships in Industrial Relations

The research result is shown by the tables below:

Table 61. Industrial Democracy Based on Partnerships in Industrial Relations

N	Valid	49
	Missing	0
Mean		3.2449
Median		3.0000
Mode		3.00
Std. Deviation		.77810
Variance		.605
Minimum		2.00
Maximum		5.00
Sum		159.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 62. Percentage of Industrial Democracy Based on Partnerships in Industrial Relations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	8	16.3	16.3	16.3
	3	23	46.9	46.9	63.3
	4	16	32.7	32.7	95.9
	5	2	4.1	4.1	100.0
	Total	49	100.0	100.0	

The research result shows “industrial democracy based on partnerships in industrial relations” in Indonesia at the average level.

3.6.19.4. The Economic Conditions of the Workers in Indonesia

The research result is shown by the tables below:

Table 63. The Economic Condition of The Workers In Indonesia

N	Valid	49
	Missing	0
Mean		2.1837
Median		2.0000
Mode		2.00
Std. Deviation		.88208
Variance		.778
Minimum		1.00
Maximum		4.00
Sum		107.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 64. Percentage of The Economic Condition of The Workers In Indonesia

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	12	24.5	24.5	24.5
2	19	38.8	38.8	63.3
3	15	30.6	30.6	93.9
4	3	6.1	6.1	100.0
Total	49	100.0	100.0	

The research result shows “the economic condition of the workers in indonesia” in Indonesia at the bad level. According to World Bank, 75% of Indonesia's population living on less than US \$ 4 per day, whereas the cost of living has risen. One of the parties impacted by this condition are worker. This fact reinforces the opinion that economic condition of the workers in Indonesia at low level.

3.6.19.5. The Cooperation between Government, Workers and Employers

The research result is shown by the tables below:

Table 65. The Cooperation between Government, Workers and Employers

N	Valid	49
	Missing	0
Mean		2.7755
Median		3.0000
Mode		3.00
Std. Deviation		.91891
Variance		.844
Minimum		1.00
Maximum		4.00
Sum		136.00

Annotation:

1.00 = Very bad

2.00 = Bad

3.00 = Average

4.00 = Good

5.00 = Very good

Table 66. Percentage of The Cooperation between Government, Workers and Employers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	12.2	12.2	12.2
	2	9	18.4	18.4	30.6
	3	24	49.0	49.0	79.6
	4	10	20.4	20.4	100.0
	Total	49	100.0	100.0	

The research result shows “the cooperation between government, workers and employers” in Indonesia at the average level.

3.6.19.6. Frequency of Industrial Conflicts and Disputes in Indonesia

The research result is shown by the tables below:

Table 67. Frequency of Industrial Conflicts and Disputes in Indonesia

N	Valid	49
	Missing	0
Mean		3.5714
Median		4.0000
Mode		4.00
Std. Deviation		1.00000
Variance		1.000
Minimum		1.00
Maximum		5.00
Sum		175.00

Annotation:

1.00 = Very rarely

2.00 = Rarely

3.00 = Moderate

4.00 = Often

5.00 = Very often

Table 68. Percentage of Frequency of Industrial Conflicts and Disputes in Indonesia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	4.1	4.1	4.1
	2	4	8.2	8.2	12.2
	3	15	30.6	30.6	42.9
	4	20	40.8	40.8	83.7
	5	8	16.3	16.3	100.0
	Total	49	100.0	100.0	

The research result shows “frequency of industrial conflicts and disputes in indonesia” at the often level. According to the Ministry of Manpower and Transmigration, in Indonesia, in 2011 (January-July) there are 4,242 reported cases of industrial disputes. A total of 2,429 have been decided by the courts and 311 cases were processed. In the same year, there were 303 cases of strike/protest involving 64,820 workers, and led to the loss of as many as 1,891,387 hours worked.

From the six sub-categories of commitment, 4 categories at the average level, and 2 categories at the bad level. This suggests that the objectives of industrial relations have not been achieved well. The result is a correction for the government that had assumed they had succeeded. In fact, according to workers and employers are still many objective have not been achieved well.

3.7. ANALYSIS OF GOOD GOVERNANCE AND THE QUALITY OF INDUSTRIAL RELATIONS LEVEL

The table below shows the frequency of each variable. The table is compiled from the total score of each variable were answered by the respondents. The table can be used as a basis to analyze the practice of good governance and the quality of industrial relations.

Table 69. Frequency of Variables

		Good Governance	The Quality of Industrial Relations
N	Valid	49	49
	Missing	0	0
Mean		33.2449	49.4082
Median		32.0000	49.0000
Mode		32.00	52.00
Std. Deviation		9.87322	8.38132
Variance		97.480	70.247
Minimum		12.00	37.00
Maximum		59.00	71.00
Sum		1629.00	2421.00

The next step is to divide the total value (Sum) of each variable with the number of respondents (N), and then divided again by the number of category of variables.

Sum of Good Governance: 1843

N : 49

Category of Good Governance: 12

$$\frac{\frac{1629}{49}}{12} = \frac{1629}{49} \times \frac{1}{12} = \frac{1629}{588} = 2.77$$

Sum of The Quality of Industrial Relations: 2203

N : 49

Category of The Quality of Industrial Relations: 17

$$\frac{\frac{2421}{49}}{17} = \frac{2421}{49} \times \frac{1}{17} = \frac{2421}{833} = 2.91$$

The results of the quantitative data processing show that the category of Good Governance is 2.77, it is at average level. The category of The Quality of Industrial

Relations is 2.91, also at the level of average. This indicates that both good governance and the quality of industrial relations in Indonesia is still not maximize.

3.8. STATISTICAL TEST

Statistical test is performed to see the correlation between the variables of good governance and industrial relations. The main hypothesis in this research are:

- **H₁** : There is a positive and statistically significant relationship between the implementation of good governance and the quality of industrial relations.
- **H₀** : There is not a statistically significant relationship between the implementation of good governance and the quality of industrial relations.

The researcher collected each respondent answers to Variable of The Good Governance and Variable of Quality of Industrial Relations. Then, is processed using SPSS. Based on the SPSS data processing, is obtained the following results:

Table 70. Pearson Correlation

		Good Governance	The Quality Of Industrial Relations
Good Governance	Pearson Correlation	1	.724**
	Sig. (2-tailed)		.000
	N	49	49
The Quality Of Industrial Relations	Pearson Correlation	.724**	1
	Sig. (2-tailed)	.000	
	N	49	49

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

The table above shows that the value of Pearson Correlation (r_{xy}) is 0.724, it is not equal to 0. It can be said there is a relationship between the variables of Good Governance and Quality of Industrial Relations. The value “ r “ is a positive, it indicates that the better implementation of good governance, the higher the quality of industrial relations.

The significance of this is used to test the main hypothesis of the research. Significance can be determined through the line Sig. (2-tailed) with the following standard hypothesis testing:

- ❖ If the significance > 0.05 , then H_0 is accepted
- ❖ If the significance < 0.05 , then H_0 is rejected

The results of significance test (above) are:

- ✓ The sigma value of relationships between Good Governance with The Quality of Industrial Relations is 0,000. That means $0.000 < 0.05$, and thus the correlation between the two variables are significant.
- ✓ The sigma value of the relationship between The Quality of Industrial Relations with Good Governance is 0,000. That means $0.000 < 0.05$, and thus the correlation between the two variables are significant.

Thus, it can be concluded that H_0 is rejected because the significance < 0.05 , and H_1 is accepted, which means that “There is a positive and statistically significant relationship between the implementation of good governance and the quality of industrial relations.”.

Furthermore, to get the value of the correlation the strength, we must use the formula coefficient of determinant (D). Interval of categorization of the correlation strength can be seen at Table 6. The operation to find value of D as follows:

$$D = (r_{xy})^2 \times 100\% = (0.724)^2 \times 100\% = 0.524176 \times 100\% = 52.42 \%$$

Based on the explanation in Table 6, the value of D at 52.42%, it is at the average level. Thus, the correlation strength between Good Governance with The Quality of Industrial Relations is moderate.

In addition, the researcher also conducted Spearman correlation test. The table below shows the Spearman correlation test using SPSS.

Table 71. Spearman Correlation

		Good Governance	The Quality Of Industrial Relations
Spearman's rho	Correlation Coefficient	1.000	.638**
	Good Governance		
	Sig. (2-tailed)	.	.000
	N	49	49
	Correlation Coefficient	.638**	1.000
	The Quality Of Industrial Relations		
	Sig. (2-tailed)	.000	.
	N	49	49

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

The results were not much different from the Pearson correlation test has been done before. The value of Spearman Correlation is 0.638, it is not equal to 0. It can be said there is a relationship between the variables of Good Governance and Quality of Industrial Relations. The value is a positive, it indicates that the better implementation of good governance, the higher the quality of industrial relations.

The significance of this is used to test the main hypothesis of the research. Significance can be determined through the line Sig. (2-tailed) with the following standard hypothesis testing:

- ❖ If the significance > 0.05 , then H_0 is accepted
- ❖ If the significance < 0.05 , then H_0 is rejected

The results of significance test (above) are:

- ✓ The sigma value of relationships between Good Governance with The Quality of Industrial Relations is 0,000. That means $0.000 < 0.05$, and thus the correlation between the two variables are significant.
- ✓ The sigma value of the relationship between The Quality of Industrial Relations with Good Governance is 0,000. That means $0.000 < 0.05$, and thus the correlation between the two variables are significant.

Thus, it can be concluded that H_0 is rejected because the significance < 0.05 , and H_1 is accepted, which means that “There is a positive and statistically significant relationship between the implementation of good governance and the quality of industrial relations.”.

The difference Spearman correlation test with Pearson correlation test is the value of "r". As a result, there was a difference in the strength of the correlation (D). D values for the Spearman correlation test is:

$$D = (r_{xy})^2 \times 100\% = (0.638)^2 \times 100\% = 0.407044 \times 100\% = 40.70 \%$$

Based on the explanation in Table 6, the value of D at 40.70%, it is at the average level. Thus, the correlation strength between Good Governance with The Quality of Industrial Relations is moderate.

CONCLUSION

This research has four hypotheses, with one main hypothesis and three complementary hypotheses. Based on the results of research and data processing, the resulting answer the following hypotheses: The first, there is a positive and statistically significant relationship between the implementation of good governance and the quality of industrial relations. The correlation strength between the two variables at the level of moderate. The existence of relationship between two variables indicates that the implementation of good governance can affect the quality of industrial relations. It also become a contribution to the scientific literature that there is a link between the implementation of good governance to the improvement of industrial relations.

The second, the better implementation of good governance, the higher the quality of industrial relations. It shows a causal relationship between good governance and industrial relations. It is also a solution for the government to improve the quality of industrial relations by applying the principles of good governance in their work in the field of industrial relations.

The third, the implementation of good governance in Indonesia at average level. It broke the initial assumption that the implementation of good governance in Indonesia has been going well. This is evidenced by the results of the research showed that nearly all indicators of good governance at the average level. So far, the government too confident that they had a good run with good governance. In fact, they merely run rulemaking, while the implementation has not been satisfactory.

The fourth, the quality of Industrial relations in Indonesia at average level. It broke the initial assumption that the quality of industrial relations in Indonesia have bad conditions. This is evidenced by the results of the research showed that nearly all indicators of good governance at the average level. There is a lot of dissatisfaction both the workers and employers for government performance. However, each party has a strong desire to improve the situation. It was indicated by a high values of the commitments of each party which is at good level. The main issues in industrial relations in Indonesia is the lack of communication and sharing of information between

the parties involved, so it eliminates the trust. It became the base of disputes and conflicts and in industrial relations. Then, the situation is made worse by the government's attitude more waiting, not expressly, and tend to play it safe.

The fifth, the Indonesian government successfully carry out most their duties in industrial relations. It broke the initial assumption that the Indonesian government does not successfully carry out their duties in industrial relations. Most of the duties that has been undertaken by the government is making the rules/law. However, implementation and enforcement of those remains weak. It also triggers discontent of workers and employers against government.

After receiving the conclusions of this research, then the researcher gives some suggestions. Based on issues and findings obtained in this research, the researcher gives the following suggestions. The first, more serious effort is needed from the government to implement the principles of good governance. The efforts that have been made not only to stop the making of regulations/law, but must be implemented in order to obtain the maximum benefit. The principles of good governance are key points to reform the bureaucracy. The reforms being undertaken by the government would not otherwise qualified to run those principles. Certainly, this is not just limited to rulemaking, but also closely monitor its implementation to achieve maximum results.

The second, the government should put the right people to deal with industrial relations. Many complaints either from trade unions and employer organization about officials who are not competent to deal with industrial relations. In fact, it requires the ability to master the field, assertive, discipline, and have good communication skills. During this time, the appointment of officials based on proximity to the leadership regardless of competence. To change this custom, there must be good will of the leaders in the national and local level to make the appointment of a professional system like in the private sector.

The third, in the face of conflict between workers and employers, the government should be more active to encourage both sides to mediate. The government should not just passively wait for both sides to resolve the conflict, but also encourage and facilitate them to resolve the conflict. The government can not play it safe in this case

because of conflicts / disputes can reduce worker productivity and it has impact on the productivity of the industrial sector. The government should change the approach of conflict resolution which has been the result of compromise, this results in dissatisfaction for the parties who are in conflict. It is time for the government to use a collaborative approach with an emphasis on meeting the needs of each party, so that it can satisfy both parties.

The fourth, it takes effort to improve communication between the parties involved in industrial relations. Conflict/dispute arising in industrial relations is largely due to differences in perception due to miscommunication. This miscommunication can be seen from the attitude of each party blaming each other. Workers blame the employers, employers blame the government, and the government blame the workers. If it is repaired the potential for conflict can be reduced.

The fifth, this research deserves to be continued and developed. The findings in this research can be used as input for the government. Besides, this study is also useful in the academic side. Therefore, for further research, it must be made repairs on some of the technical parts of the research in order to the the correlation strength becomes stronger.

Summary of the conclusion are there is a positive and statistically significant relationship between the implementation of good governance and the quality of industrial relations. The correlation strength between the two variables at the level of moderate. The better implementation of good governance, the higher the quality of industrial relations. The implementation of good governance in Indonesia at average level. This is equal to the quality of Industrial relations in Indonesia which is also at average level. The last, Indonesian government successfully carry out most their duties in industrial relations.

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Interview:

Interview with Iqbal Iskandar Alam, Vice Chairman of The K3LH's Section at Indonesia Employer Association (APINDO) branch of Depok City, on 10 July 2013.

Interview with Andi Hadiar Putra, Chairman of The Confederation of SPSI (Worker Organization), on 20 September 2013.

Interview with Rusmiatun, Board of SBSI (Worker Organization), on 22 September 2013.

Interview with Sri Mulyono, Staff of Directorate of Institutional and Correctional Industrial Relations, Ministry of Manpower and Transmigration, on 26 September 2013.

Interview with Peri Akri, General Secretary of APINDO (Indonesia Employers Union) branch of Riau Province, on 20 March 2014.

APPENDIX

APP. 1. Questionnaire

Narasumber Yth,

Perkenalkan, saya Akmal Khairi, Mahasiswa program master, jurusan Ilmu Administrasi Publik, Universitas Hacettepe, Ankara – Turki. Saya sedang mengadakan penelitian untuk penulisan tesis tentang *The Effects of Good Governance on The Quality of Industrial Relations in Indonesia*. Oleh karena itu, saya membutuhkan bantuan anda untuk menjawab pertanyaan-pertanyaan di bawah ini. Atas kesediaan anda saya sampaikan terima kasih.

Akmal Khairi

Email: akmalkhairi98@gmail.com

Hp: +905419748876

Respondent's name (Nama):

Institution (Lembaga) :

Email :

Mobile phone(No. HP) :

Jawablah pertanyaan-pertanyaan berikut ini dengan memberi tanda "X" pada kotak yang disediakan

(Please answer the following questions (number 1 & 2) by filling appropriate box with the sign " X ")

1. Apa permasalahan utama dalam hubungan industrial?

What are the main problem in industrial relations?

	Perbedaan sudut pandang dan harapan masing-masing pihak <i>The differences of perspective and expectation of each party</i>
	Perbedaan/kesenjangan informasi masing-masing pihak <i>The Difference/disparity information of each party</i>
	Perbedaan peran dan tujuan masing-masing pihak <i>The Differences in the role and objectives of each party</i>
	Tekanan situasi dan lingkungan <i>Situation and enviroentment's pressure</i>
	Alasan lain, sebutkan:..... <i>The other reason, please specify:.....</i>

2. Siapakah pihak yang paling bermasalah dalam hubungan industrial?
Who is the most problematic in industrial relations?

	Pemerintah (<i>Government</i>)
	Pekerja/Serikat Pekerja (<i>Worker/Workers' Organization</i>)
	Pengusaha/Asosiasi Pengusaha (<i>Employer/Employers' Organization</i>)

Keterangan untuk nomor 3-14 (*Annotation for number 3-14*):

- 1 : Sangat Buruk (*Very Bad*)
 2 : Buruk (*Bad*)
 3 : Rata-rata (*Average*)
 4 : Baik (*Good*)
 5 : Sangat Baik (*Very Good*)

-----Kotak Jawaban---

		1	2	3	4	5
3	Bagaimana usaha pemerintah untuk melibatkan buruh dan pengusaha dalam pengambilan kebijakan? <i>How the government's efforts to involve workers and employers in policy making?</i>					
4	Bagaimana usaha pemerintah dalam menegakkan peraturan ? <i>How the government's efforts to enforce the rules?</i>					
5	Bagaimana transparansi pemerintah dalam pengambilan keputusan ? <i>How does government transparency in decision-making?</i>					
6	Bagaimana daya tanggap pemerintah terhadap tuntutan stakeholders? <i>How the government's responsiveness to the demands of stakeholders?</i>					
7	Bagaimana usaha pemerintah mendorong pelaksanaan mediasi? <i>How the government's efforts to encourage the implementation of the mediation?</i>					
8	Bagaimana usaha pemerintah dalam menegakkan keadilan?					

	<i>How the government's effort to uphold equity?</i>					
9	Bagaimana usaha pemerintah untuk menciptakan kebersamaan? <i>How the government's efforts to promote unity?</i>					
10	Bagaimana usaha pemerintah menciptakan lingkungan yang kondusif bagi hubungan industrial? <i>How the government's efforts to create a conducive environment to industrial relations?</i>					
11	Bagaimana usaha pemerintah memberikan dukungan hukum dan kelembagaan bagi hubungan industrial? <i>How the government's efforts to provide the legal and institutional support for industrial relations?</i>					
12	Bagaimana usaha pemerintah mendorong terbentuknya organisasi pekerja dan pengusaha yang independen dan representatif? <i>How the government's efforts to encourage the formation of workers 'and employers' organizations are independent and representative?</i>					
13	Bagaimana efisiensi peran pemerintah dalam hubungan industrial? <i>How can the efficiency of the government's role in industrial relations?</i>					
14	Bagaimana akuntabilitas (pertanggungjawaban) pemerintah dalam hubungan industrial? <i>How the government accountability in industrial relations?</i>					

Keterangan untuk nomor 15-19 (*Annotation for number 15-19*):

- 1 : Sangat jarang (*Very rarely*)
- 2 : Jarang (*rarely*)
- 3 : Sedang (*Moderate*)
- 4 : Sering (*Often*)
- 5 : Sangat Sering (*Very Often*)

		1	2	3	4	5
15	Bagaimana frekuensi diskusi tripartit untuk isu-isu strategis? <i>How does the frequency of tripartite discussions for strategic issues?</i>					
16	Bagaimana frekuensi diskusi tripartit untuk saling					

	berbagi informasi rahasia? <i>How does the frequency of tripartite discussions to share confidential information?</i>					
17	Bagaimana frekuensi diskusi tripartit untuk membahas rencana program kerja masing-masing pihak? <i>How does the frequency of tripartite discussions to discuss the work plan of each party?</i>					
18	Bagaimana frekuensi diskusi formal tripartit? <i>How does the frequency of tripartite formal discussion?</i>					
19	Bagaimana frekuensi diskusi informal tripartit? <i>How does the frequency of tripartite informal discussion?</i>					

Keterangan untuk nomor 20-30 (*Annotation for number 20-30*):

- 1 : Sangat Buruk (*Very Bad*)
- 2 : Buruk (*Bad*)
- 3 : Rata-rata (*Average*)
- 4 : Baik (*Good*)
- 5 : Sangat Baik (*Very Good*)

		1	2	3	4	5
20	Bagaimana manfaat hubungan industrial dalam jangka panjang? <i>How the benefits of industrial relation in the long term?</i>					
21	Bagaimana tingkat kepuasan anda/organisasi anda terhadap hubungan industrial? <i>How satisfaction of you/your organization to the industrial relation?</i>					
22	Bagaimana kepercayaan anda/organisasi anda terhadap pihak lainnya dalam hubungan industrial? <i>How trust of you/your organization to the other parties in industrial relations?</i>					
23	Bagaimana kesediaan anda/organisasi anda untuk berkorban dalam hubungan industrial? <i>How readiness of you/your organization to sacrifice in industrial relations?</i>					
24	Bagaimana keyakinan anda/organisasi anda terhadap hubungan industrial yang sedang berjalan? <i>How trust of you/your organization to the ongoing</i>					

	<i>industrial relations?</i>					
25	Bagaimana kemauan anda/organisasi anda untuk menjalankan hubungan industrial dalam jangka panjang? <i>How desire of you / your organization to run industrial relations in the long term?</i>					
26	Bagaimana perlindungan kepentingan pengusaha dan buruh dalam hubungan industrial di Indonesia? <i>How the protection of employer and worker's interests in industrial relations in Indonesia?</i>					
27	Bagaimana peningkatan produktivitas pekerja sebagai dampak dari hubungan industrial? <i>How worker productivity increases as a result of the industrial relations?</i>					
28	Bagaimana demokrasi industri berbasis kemitraan dalam hubungan industrial? <i>How industrial democracy based on partnerships in industrial relations?</i>					
29	Bagaimana kondisi ekonomi para pekerja di Indonesia? <i>How the economic conditions of the workers in Indonesia?</i>					
30	Bagaimana kerjasama antara pemerintah, pekerja dan pengusaha di Indonesia? <i>How cooperation between government, workers and employers in Indonesia?</i>					

Keterangan untuk nomor 31 (*Annotation for number 31*):

- 1 : Sangat jarang (*Very rarely*)
- 2 : Jarang (*rarely*)
- 3 : Sedang (*Moderate*)
- 4 : Sering (*Often*)
- 5 : Sangat Sering (*Very Often*)

		1	2	3	4	5
31	Bagaimana frekuensi konflik dan perselisihan industrial di Indonesia? <i>How does the frequency of industrial conflicts and disputes in Indonesia?</i>					

APP. 2. Interview Questions

- 1) Bagaimana kondisi hubungan industrial di Indonesia saat ini?
How the condition of industrial relations in Indonesia today?
- 2) Apa permasalahan utama dalam hubungan industrial?
What are the main problem in industrial relations?
- 3) Siapakah pihak yang paling bermasalah dalam hubungan industrial?
Who is the most problematic in industrial relations?
- 4) Bagaimana peran pemerintah, pekerja, dan pengusaha dalam hubungan industrial, baik teori maupun prakteknya?
How does the role of government, worker, and employer in industrial relations, both theory and practice?
- 5) Bagaimana kerjasama tripartit antara pemerintah, pekerja dan pengusaha?
How tripartite cooperation between government, workers and employers?
- 6) Bagaimana pendapat anda tentang isu keadilan dalam hubungan industrial?
What do you think about the issue of equity in industrial relations?
- 7) Apa harapan anda terhadap hubungan industrial kedepannya?
What is your expectation on industrial relations in the future?
- 8) Bagaimana frekuensi konflik dan perselisihan industrial di Indonesia?
How does the frequency of industrial conflicts and disputes in Indonesia?

APP. 3. Values of r Product Moment TableValues of r for the .05 and .01 Levels of Significance

$df(N - 2)$.05	.01	$df(N - 2)$.05	.01
1	.997	1.000	31	.344	.442
2	.950	.990	32	.339	.436
3	.878	.959	33	.334	.430
4	.812	.917	34	.329	.424
5	.755	.875	35	.325	.418
6	.707	.834	36	.320	.413
7	.666	.798	37	.316	.408
8	.632	.765	38	.312	.403
9	.602	.735	39	.308	.398
10	.576	.708	40	.304	.393
11	.553	.684	41	.301	.389
12	.533	.661	42	.297	.384
13	.514	.641	43	.294	.380
14	.497	.623	44	.291	.376
15	.482	.606	45	.288	.372
16	.468	.590	46	.285	.368
17	.456	.575	47	.282	.365
18	.444	.562	48	.279	.361
19	.433	.549	49	.276	.358
20	.423	.537	50	.273	.354
21	.413	.526	60	.250	.325
22	.404	.515	70	.232	.302
23	.396	.505	80	.217	.283
24	.388	.496	90	.205	.267
25	.381	.487	100	.195	.254
26	.374	.479	200	.138	.181
27	.367	.471	300	.113	.148
28	.361	.463	400	.098	.128
29	.355	.456	500	.088	.115
30	.349	.449	1000	.062	.081

CURRICULUM VITAE

Kişisel Bilgiler

Adı Soyadı : AKMAL KHAIRI
Doğum Yeri ve Tarihi : Maredan (Indonesia), 11th May 1986

Eğitim Durumu

Lisans Öğrenimi : Public Administration, University of Indonesia (2005 - 2010)
Yüksek Lisans Öğrenimi : Public Administration, Hacettepe University (2012 - 2014)
Bildiği Yabancı Diller : 1. English Course at Nurul Fikri English Course (2005)
2. Turkish Course at TÖMER Ankara Üniversitesi (2010 – 2011)
Bilimsel Faaliyetleri : 1. Training for Journals Management at Hayati Journal of IPB Bogor (2008)
2. Fieldwork Social Research Method (2007)
3. The research of The Analysis of Empowerment Role and Function of Camat in Kota Depok (2009),
<http://journal.ui.ac.id/index.php/jbb/article/viewFile/637/622>

İş Deneyimi

Stajlar

- a) Ministry of National Development Planning / National Development Planning Agency of Indonesia (Agust 2008)
- b) International Labour Organization (ILO) Indonesia (8 July – 5 October 2013)

Projeler : Quick count team for DKI Jakarta Governor Election (Puskapol UI) 2007

Çalıştığı Kurumlar : a) Staff in Journal of Bisnis & Birokrasi (Departement of Administrative Science, Faculty of Social and Political Science, University of Indonesia) (2008 – 2009)

b) Insurance agent of Prudential Life Assurance of Indonesia (2009 – 2010)

c) Operating Manager at CSR Program of KFC (2010)

İletişim

E-Posta Adresi : akmalkhairi98@gmail.com

Tarih : 5 June, 2014