

Social Relations in Outsourcing Practices in Makassar City

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ABSTRACT

This research aims to analyze and explain hegemonic social relations in outsourcing practice in Makassar city concerning; (1) the causes of hegemonic social relations among actors of the user, provider, and laborer, (2) the patterns and types of hegemonic social relation, and (3) the social and economic impacts of hegemonic social relation. This research used the kind of descriptive research with a qualitative approach. The result of this study gives more clear and deeper description concerning many kinds of meanings that are behind the fact so this research uses the phenomenological method with perspective interpretative. While the phenomenon is outsourcing practice in Makassar city. The result of this research shows that the social relation among actors user, provider, and laborer in outsourcing practice in Makassar city is not just an ordinary economic relation but it is a veiled power relation that constructs a hegemonic social relation. The hegemonic social relation is caused by some factors, namely; (a) unlimited authority owned by the user, (b) closed management applicated by the provider, (c) laborer's less bargaining position, and (d) lost government intervention. The four causes create the patterns and types of hegemonic social relations in outsourcing practice, namely; (1) absolute hegemony by the user toward provider and laborer, job outsourcing (job transfer), job responsibility transfer, and the use of manpower and more work time, (2) semi-hegemony by provider toward laborer by the action of transferring laborer from one user to others, and (3) absolute hegemonized toward laborer by both user and provider through the use of laborer's work power by the user, outsourcing of laborer from one user to others done by the provider. the fact, outsourcing practice benefits the capitalists (user and provider), on the contrary, it harms the laborer.

Keywords- social relation, hegemony, outsourcing

INTRODUCTION

Social relation constitutes a manifestation of social interaction among individuals or groups in a society which can hold anytime and anywhere. It means that social relation exists everywhere including in the outsourcing arena. This relation is not separated from political, economic, social, and cultural interests. These all constitute the motives that encourage each actor to interact with one and each other. The social relation has the potency of power so that it creates power relation which according to Foucault (1987) [1] that the power relation consists of three types, namely; (1) power relation as a strategic play among the free parties, (2) power relation as domination, and (3) power relation as government. The power relation in strategic plays describes the relation of inter-partners where the power of the actor has the freedom for selecting and influencing. On the contrary, the type of domination relation points toward asymmetric power relation where there are subordinated actors and only have a little space for acting freely. While on the type of governmental power, a relationship exists between the strategic plays and domination. The accentuation of the government concept is instructions and control of action combination. Further Foucault (in Afandi, 2011) [2] stated that where there is a social relation there is a power and on the contrary, where there is a power there is a social relation.

Hegemony is a manifestation of power in social relations among the actors involved. According to Gramsci (1978) [3], hegemony covers the cultural and ideological in which the authority groups perform or

perpetuate their power in society through the consensus of the dominant parties. To Gramsci, such domination of power is a struggle to get public acceptance. The hegemony is used not only for elaborating the relation of inter-class as Marx stated, but also the larger social relations including the actors' social relation in the outsourcing arena.

Outsourcing practice has become a research object which has been done by many researchers. According to Geishecker (2004) [4], different wages are received by laborers working under the implementation of an international outsourcing system in the companies which his research focuses on in German. The proof of his research is the laborer's low-skilled workers get lower wages as the effect of outsourcing while the laborer with high-skilled workers gets high wages.

Jangyang Goo et al (2006) [5] have investigated the factors which influence the relationship duration of information technology outsourcing. According to their research, Social theories have been employed in IT outsourcing research to address the issue of managing inter-organizational ties in the outsourcing relationship. Most of this research deals with inter-organizational dyads that help firms cope with resource scarcity while achieving goals for reducing vulnerability and uncertainty and maximizing their autonomy and independence. Studies using the social perspective have drawn upon social exchange theory to understand the outsourcing relationship as a dynamic process that evolves through specific sequential interactions in which two participants carry out activities for one another and exchange valuable resources. An important finding from the social exchange perspective is that vendor-client relationships are terminated or continue based on the satisfaction of relationships. They create some perspectives based on the statement above namely; (1) social theories have been employed for the research of outsourcing in the field of information technology and show that, in outsourcing, there is a relation between inter-organization. Most research are concerning inter-organizations which help the company to overcome the lack of resources when reaching the aim of susceptibility and uncertainty for maximizing autonomy and freedom, (2) the study using the social perspective has employed the social exchange theory to understand the outsourcing relationship as a dynamic process which develop through a chronological specific interaction in which two parties hold activities of valuable resources exchange one and each other, (3) an important discovery of social exchange perspective is that the relationship between vendor – client is ended or continued by the satisfaction of the relationship.

Greaver II (in Yasar, 2012) [6] stated that “Outsourcing is the act of transferring some of a company's recurring internal activities and decision rights to an outside provider, as outlined in a contract. Because the activities are recurring and a contract is used, outsourcing goes beyond the use of consultants. As a matter of practice, not only are the activities transferred but the factor of production and decision rights often are, too. Factors of production are the resources that make the activities occur and include people, facilities, equipment, technology, and other assets. Decision rights are the responsibility for making the decision over certain elements of the activities transferred.”

While according to Beaumont and Sohal (2004) [7] that, “the use of outsourcing is becoming more sophisticated; more organizations are outsourcing responsibility for business processes. Further, they emphasize that Outsourcing is defined as having work that was formerly done inside the organization performed by an external organization. The vendor (hereafter the outsourcer and outsource are, respectively, referred to as vendor and client) may be an independent entity or a wholly owned subsidiary.

On the other hand, Martinsons (1993) [8] stated that “Information systems outsourcing is the act of subcontracting all or parts of the Information system function to an external vendor as an alternative to relying solely on in-house resources and capabilities. An outsourcing vendor, with highly specialized and technical employees, assumes a contractual obligation for the organization's information systems and their operation. This activity was traditionally limited to subcontracting data processing activities, frequently called facilities management. The relationship between the vendor and the organization had an arms-length

status.

In the meantime, the result of research from Tjandraningsih et al (2010) [9] finds that the related practice of work contract and outsourcing indicate the essence of policy and practice of LMF which is more profitable for the company and it is a loss for the laborer. the result of their research indicates the proves that positive assumptions of the flexible work market are not proven and even the condition is vice versa. The practice of a flexible work market through the relation of work contracts and outsourcing has created exploitative, discriminative, degradative, and fragmented work conditions, and it also effectively weakens the power of laborer organizations.

While, according to the research result from Child and Mollering (in Juan Li, 2011) [10] stated that, “Outsourcing is defined as contracting tasks to an external entity. Transferring business activities to external actors poses two significant challenges for MNCs: business partners’ opportunism and local market uncertainty. Literature on control has established that control facilitates coordination of inter-organizational exchanges in uncertain business environments.” The meaning of the elaboration above is that outsourcing practice indicates the aspect of work contract to external hand and outsourcing action or transferring of business activities to external actors. In other words, the action involves the third hand which can be understood as the provider company of manpower. This condition constitutes two significant levels of national multi corporation covering; opportunism of uncertainty of the local market.

Outsourcing constitutes an arena that combines social relations with hegemony, creating a veiled power relationship among the actors involved. Outsourcing practice emphasizes the cost of production and free market competition which aims to create the economizing of cost in financing human resources that are used in a certain company. Outsourcing practice is a form of transfer action in which its application involves the actor’s name, the user, the provider, and the laborer. Silaban (2009) [11] stated that outsourcing is the real form of flexibility principle of the work market which can be found in almost the whole part of the production process. Thus, there is competition among laborers to get the work chance. For the capitalists, this condition also allows them to execute exploitation actions on the laborers as the form of a capitalist system which according to Marx (in Suseno, 1999) [12] stated that people do not work freely and universally but they are forced to work as the requirement for living. So the work does not develop but isolates human beings both from themselves and others.

In an ideal context, outsourcing practice is supposed to use human resources so that the unemployed can get jobs as their living resource. In other words, the laborers can be absorbed to have living resources through the gift of wages. Thus, they become a productive human being. This means that outsourcing becomes a practical tool that can assist the government in fighting joblessness. Therefore, it is important to build a type of harmonious relationship among the company (businessmen), government, and laborers

A harmonious relationship meant the creation of mutually profitable work relations through the medium of outsourcing. Businessmen employ laborers to be productive human beings for themselves and their families including for the provider company and the user company. Besides, The government should undertake its function for controlling the outsourcing practice and making regulations as the basis of the outsourcing application system. This thing is important so that the working relationship between the company (user and provider) and laborer does not create a type of exploitation relation.

Without laborers, the company will not be productive and developing, on the contrary, the laborers will not be able to sustain themselves and their families without being employed by the company. So they have a mutual relationship. The laborers can be creative in developing their potency through the job. Through the job, the human being proves himself as a social creature.

It is impossible for everyone produces anything they need by themselves. To meet our needs, we depend on

the result of the other one's job. So does the other need our job result?

But in reality, outsourcing practice shows some problems. The cause is the work relationships among the actors of the user, provider with laborer do not apply symmetrical relation (business partners). The laborers work and get wages less than they should receive, they work without enough financial support and a better career in the future, and also longer work time. The lost government intervention also causes the capitalists' actions (user and provider) to be free for dominating the laborers through the use of regulations that they made and must be agreed upon together. The problems that appear are caused by the actions of users and providers that aim to gain cost efficiency and bigger profit accumulation. On the other hand, the laborers are exploited because they spend a lot of power and time to get wages less than they should receive

In the practice of social relations among actors of user and provider, the laborers just become the instrument or tool of transaction. The laborers are not involved in making decisions concerning the action of laborer transfer including the work responsibility transfer between user and laborer. In outsourcing practice, the actor of the user becomes the absolute hegemonic toward both provider and laborers. The user company becomes the determiner that determines the execution of work relations with the provider company. In other words, to execute the work related or not, is the right of the user. Besides, the user has the right to use the power and time of the laborers fully. On the other hand, the actor of the provider also dominates the laborers because the provider determines whether the laborers can work or can not work in the user company. Through the provider's service, the laborers can be employed in the user company as the place of work activities for the laborers, and consequently, the laborers' wage is managed by the provider. The laborers must give some of their wages to the provider as repayment of service.

The hegemonic social relation in outsourcing practice in Makassar city gives a clear picture that the laborer becomes the absolute hegemonized party by both user and the provider. The phenomena also describe the types and forms of a hegemonic social relation that construct the social-economic impacts toward both the hegemonic and the hegemonized parties.

MATERIALS AND METHODS

The kind of research which is used in this research is descriptive research with a qualitative approach. The analysis of this research gives a deep and clear picture of some kinds of meanings behind the facts so that it uses a phenomenological method with an interpretation perspective, while the phenomena are outsourcing practices in Makassar city. The design of this research is based on the paradigm which is described the character of the problem and the suitability of the assumption. Using a research paradigm constitutes a strategy before the researcher conducts the field research. Before designing the research, the researcher tries to know about the paradigm of research that will be used. The urgency is the main function of the research paradigm is to form a research method. While the factor of main consideration in choosing a paradigm is the character of the problem and the suitability of assumptions that are built by the researcher. Therefore, the paradigm which is used in this research is the constructivism paradigm with the phenomenological method. The basis is the social relation in outsourcing practice is constructed by the actors through social practice and it is not formed by itself (natural).

This thing is emphasized by Guba and Lincoln (1994) [13] that, the constructivism paradigm is based on the assumption that, basically social reality is not formed by itself (natural) but is constructed by actors through the process of social practice. The constructionists do not agree with the opinion that all kinds of essential things precede the process of social determination. Guba and Lincoln further said that positivism and postpositivism have been the failure to express reality. It is the time for positivism and postpositivism to be reconstructed constructively. The main focus of this research is repeated social practices which are meant that they have constructed the power relation through hegemonic social relation in outsourcing practice

among actors of the user, provider, and laborer. Therefore, this research is designed for the studies of social sciences, particularly economic sociology.

The attention and main interpretation in this research are on the meaning and daily subjective experiences in social relationships among the actors of user, provider, and laborer that have constructed power relations through hegemonic social relations in outsourcing practice in Makassar city.

RESULTS AND DISCUSSION

The purpose of this paper is to analyze and explain hegemonic social relations in outsourcing practices in Makassar city. Hegemony is a tool used by capitalists to lead the physiologic of society in maintaining power or prolonging relations of oppression such as in a company, where workers tend to accept approval because of a lack of critical power in understanding social reality or accepting all consensus as a normal thing in a company. Hegemonic social relation in outsourcing practice is caused by some causes namely; (1) unlimited authority by the actor of the user, (2) closed management by the provider, (3) less bargaining position toward the laborer, and (4) loss of government intervention.

This research provides a deeper understanding of social relations in outsourcing practices. The four causes affect patterns and forms of a hegemonic social relation which cover:

- *absolute hegemony by the user toward both provider and laborer.*

The indications are the user has the right or authority to outsource (transfer) some kinds of jobs and the responsibility of the job to an external hand (provider). The user determines a decision whether the transaction of transfer will be or will not be. Besides, the user also determines whether to continue or stop the job relationship with the provider. When the user still needs the business relation, the user will keep on the relation, but when the user does not need it, the user will stop it. The user also hegemonizes the laborer through the indication that the user can intervene in the laborer's job activities. The user has the right to manage and command the laborer to do the user's commands. Even the user can threaten the laborers when they make mistakes in working. The threat is a written report which is made by the user for being given to the provider as the company of laborers that employs them and this report can cause a laborer to be stopped working.

- *semi-hegemony which is applicated by the provider.*

This means that the provider has the right to outsource the laborer to any user company for being employed so that the provider gets profit. This profit is produced by taking a part of the wage of laborer as the compensation and recompense. The profit also constitutes the result of a work agreement between the user company and the provider. Through this agreement, the user and provider agree on the cost or price of laborers. Hegemonic practices carried out by both users and providers will continue if there is no government role. Research by Lee et al (2019) [14] shows that transaction costs, including agency costs, may be greater than anticipated and may outweigh the benefits of outsourcing. Public managers should seek ways to reduce agency costs that federal agencies may experience while strengthening the monitoring and evaluation of contractors frequently to mitigate abuses associated with the principal-agent problem.

- *absolute hegemonized toward laborers.*

This means that the laborer is dominated or hegemonized by both user and the provider. The user can use the laborer's work power and can freely direct the laborer in their work in the user's place without paying any more. On the other hand, the provider has the right to outsource the laborer and offer the laborer to the user company to be employed. Outsourcing is an important policy tool employed in the name of greater

efficiency and a decided preference for business-like practices (Pollitt & Bouckaert, 2011) [15]. According to the result of this research, this situation must be anticipated immediately before it leads to the exploitation of laborers. As revealed in Davies and Natalia's (2019) [16] research that the industry dynamics, labor subcontracting, and a lack of regulation are key factors that enable exploitation to occur.

CONCLUSIONS

Without laborers, the company will not be productive and developing, on the contrary, the laborers will not be able to sustain themselves and their families without being employed by the company. Hegemonic social relation in outsourcing practice in Makassar city constitutes a veiled power relation among actors of the user, provider, and laborer. It is caused by some factors namely; the user has unlimited authority, the provider applies closed management, less bargaining position toward laborer, and loss of government intervention in outsourcing practice in Makassar city. The power relation also forms patterns and types of relationships which consist of absolute hegemony by the user, semi-hegemony by the provider, and absolute hegemonized toward the laborer.

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