

The Role Of Workers' Organization And Wage Level In Improving Employee Productivity In Electronic Companies In West Java, Indonesia

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ABSTRACT

The role of workers' organizations is significant for companies and employees because it impacts wage levels and employee productivity. This study aims to analyze the effect of workers' organizations on wage levels and the effect of workers' organizations and wage levels on work productivity in electronic companies. This research is a type of quantitative research where data is collected by sharing questionnaires with 200 employees who work in the electronics sector in West Java, Indonesia. Data analysis techniques used are descriptive statistics and structural equation modeling (SEM) using PLS.3 software. The results show that Workers' organization directly affects work productivity with significant (0.004 <0.05), Workers' organization directly affects wage level with significance (0.000 <0.05), Wage level directly affects work productivity with insignificant matter (0.986 >0.05), The indirect effect of Workers' organization on Work productivity is through Wage level. P Values are 0.986>0.05, and the impact is not significant.

Keywords: workers' organisation, wage rate, work productivity

1. INTRODUCTION

This background discusses the role of workers' organizations and wage levels in improving workers' labor productivity in electronics companies in West Java, Indonesia. This is an essential issue because worker productivity directly impacts a company's success and the economic growth of a region. The electronics industry in West Java, Indonesia: West Java is known as one of Indonesia's most significant electronics industry centers. Many large electronics companies operate in the region, providing jobs for thousands of workers. Unemployment and employment rates are key issues in regional economic development. It is therefore essential to understand how workers organization and wage levels. Play a role in improving worker productivity. Workers' organizations, such as trade unions or associations, can be essential in protecting employees' rights, fighting for better working conditions, and providing training to improve employees' skills. The question is to what extent this role of workers' organizations affects employee productivity in electronics companies in West Java. Wage levels are essential in motivating employees and measuring their quality of life. A fair and competitive wage rate can encourage employees to work harder and more efficiently. However, wage rates that are too low can lead to dissatisfaction and even strikes. Improving labor productivity is a crucial goal for companies. High productivity can help companies to compete better in the market and increase profits.

2. LITERATURE REVIEW

Workers' Organisations

Trade Unions are organizations formed from and by workers/laborers. This organization helps fight for, defend, and protect the rights and interests of workers/laborers. Establishing a Trade Union/Labour Union organization is to improve the welfare of workers/laborers. Workers have the right and freedom to participate in any trade union organization they wish. In Indonesia, the freedom to become a member of an organization of the worker's choice is linked to a particular company, business sector, or region.

Based on the general provisions of Article 1 of the 2003 Labour Law No. 17, trade unions are organizations formed from, by, and for companies both in companies and outside companies, which are free, open, independent, democratic, and responsible for fighting for, separating and protecting employees and improving the welfare of workers and families. By Article 102 of the 2003 Labour Law, workers and trade unions have functions by their obligations in carrying out industrial relations, maintaining order for production, channeling aspirations directly, developing skills and expertise, and advancing the company—members with families. Based on Law No. 21/2000 on Trade Unions/Labour Unions, a Trade Union can be formed by a minimum of 10 (10) workers. Every worker has the right to develop and become a trade union/labor union member. Therefore, there can be more than one trade union in one company. In the event of a dispute between trade unions in one company, it is a form of industrial relations dispute, which can be resolved through an industrial relations court as referred to in Law No. 2/2004 on Industrial Relations Dispute Resolution.

1. Supporting factors for trade unions

a. Internally

Internally, these are: FSPMI, SPN, SPSI and others, this will be a support if these trade unions become members of the Wage Council. Trade unions have the aim of achieving welfare for employees or labourers.

b. Externally

These are: Local Government (as a mediator)

According to: (Wati, 2015)

2. The role of trade unions in determining the minimum wage of Bekasi City in 2015 is that they play a role by joining the trade unions in the Bekasi City Wage Council. Trade unions are providers of considerations and proposals for minimum wage increases during wage negotiations. Trade unions become one unit that defends on behalf of trade unions/laborers, and there is often also a conflict between other members because not only elements from trade unions have a voice in the DEPEKO but also from the government.

3. The things that trade unions do in carrying out their role include:

a. Lobbying

b. Demonstrations (demos)

c. Negotiations and Forum agreements in the Wage Council

According to (Nia Oktavia Ningsih, Mochammad Al Musadieq and Hamidah Nayati Utami, 2015)

"Trade unions maintain worker relations in the industrial sphere as representatives of workers and management representing the company. Trade unions have the role of accommodating workers' aspirations in fighting for the rights and interests of their members to be heard by company management. Management plays a role in managing company assets, one of which is human resources through activities that carry out complex functions in labor relations."

According to (Nia Oktavia Ningsih, Mochammad Al Musadieq, 2015) Findings in his research:

1. The relationship between trade unions and management is well established, thus creating job security.

2. Trade unions carry out their role optimally in accordance with Law no. 21 of 2000, resolving industrial disputes and channeling the aspirations of members through group representation meetings and fighting for share ownership.

3. Management and trade unions have equal negotiating power in the making of collective agreements.

4. Trade unions and management have played a good role in fostering industrial relations.

According to (James Eusebius Mkuwa, 2018), trade unions have service functions, a representation function, a regulatory function, a government function, and a public administration function. As far as the trade unions are concerned in the industrial relations, the theoretical review will take much look at the Industrial relations as a whole.

According to (James Eusebius Mkuwa, 2018), Trade unions are the legitimate system for organizing workers to voice their rights and grievances. With unions, companies would become more paternalistic and more dictatorial. This study's findings show.

1. Workers' Representatives in lobbying and negotiation

2. Resolving industrial disputes

3. Maintaining worker relations within the scope of the industry

4. Protecting or enhancing workers' rights and fighting unfair practices
5. Provide information, education

The role of workers' organizations towards their members

Workers' organizations play a role in improving the welfare of their members in the world of work. Also, workers' organizations create changes in wages and benefits that are better and higher and also develop standards for working hours that apply based on labor laws. according to (Jenn Hagedorn, Claudia Alexandra Paras, and Howard Greenwich, 2016), the role of trade unions creates higher wage and benefit standards, working hour limits, workplace accident protection, and other factors. The next part of workers' organizations is that they can substantially increase production in industrial firms. According to, (Erling Barth Alex Bryson, 2020), increased union work at the firm level leads to substantial increases in both productivity and wages. The wage effect is more significant in more productive firms, consistent with the profit-sharing model. Workers' organizations are also organizations where their members have solid relationships and relatively high levels of job satisfaction, according to (David G. Blanchflower Alex Bryson, 2022), showing the partial correlation between union membership and employee job satisfaction is positive and significant. (Davis, 2012) trade unions can increase member satisfaction by enabling them to achieve their preferred values, and this supports the statement that changing perceptions of the work environment can increase job satisfaction.

Wage Rate

Wages are a crucial issue in the field of labor, and even if it is not professional in handling wages, it is not uncommon to become a potential dispute and encourage strikes and demonstrations. (Khakim Abdul, 2006). The minimum wage is the lowest monthly wage consisting of basic wages, including fixed allowances set by the Governor as a safety net. (PMTK: 2013)

Wages have become a right for workers/laborers that employers must give because wages are rewards for achievements paid by employers to workers/laborers for work that has been done. Wages are needed to maintain one's survival. The wage distribution policy and regulation must be implemented fairly and by applicable laws. Provisions regarding wages have been regulated in the 1945 Constitution Article 27, which reads as follows:

- Paragraph (1): "Every citizen shall be equal before the law and government."
- Paragraph (2): "Every citizen has the right to a job and a livelihood worthy of humanity."

Wage System The wage system is the framework of how wages are organised and applied. (Soedarjadi, 2009) reveals that the wage system in Indonesia is generally based on three functions, namely:

- a. Reflecting the reward for one's work.
- b. Ensure a decent life for labour and its family.
- c. Provide incentive money to encourage increased work production.

According to (Bersales and Lisa Grace, 2014), Minimum wage determination also uses other factors, including:

1. **Consumer Price Index**
The Consumer Price Index (CPI), according to (Mankiw, Gregory, and Euston Quah, 2013), measures the overall cost of goods and services purchased by consumers.
2. **Labour Force Participation Rate**
According to (Mankiw, Gregory, and Euston Quah, 2013), the labor force is defined as the sum of employed and unemployed people, while the unemployment rate is defined as the percentage of the labor force that is not working.
3. **Regional Domestic Product**
According to (Mankiw, Gregory, and Euston Quah, 2013), Gross Regional Domestic Product (GRDP) is the market value of all finished goods and services produced in a region in a given period. The production side of the economy converts inputs such as labor and capital into outputs. Information such as labor and capital are called factors of production, while payments to these factors, such as wages and interest, are called factor payments.
4. **Income per capita**
According to (Sukirno Sadono, 2013), per capita income is the average income of a country's population in a certain period. Per capita income figures can be used as an indicator of the level of prosperity of the population of a region. People experience an increase in welfare if per capita income at constant prices or real per capita income continues to increase. Per capita income is the division between the added value of all economic activities and the total population. Population size affects the value of per capita income.

Based on the definition and understanding of the wage level, it can be concluded that the indicators are the consumer price index, labor force participation rate, regional domestic product, and per capita income.

Changes in the level of wages for employees that are increasing, there will be a division of income for employees who work according to the applicable working hours. According to (Qilin Zhang and Xiaohui Zenga, 2020), raising the wage level can increase the division of labor income without causing overwork; according to (Godoey Anna Reich, 2020), Increasing the minimum wage has a better impact on community poverty and improves children's health according to this opinion with better salaries.

Employee Work Productivity

According to (Yuniarsih Tjutju, 2009), "work productivity can be interpreted as concrete results (products) produced by individuals or groups during a certain unit of time in a work process." According to (2004), productivity produces or increases the results of goods and services as highly as possible by utilizing human resources efficiently. Productivity is an achievement of employee work results to achieve organizational goals that have been set ".

According to (2008), Productivity means a comparison between the results achieved (output) and the overall resources used (output)."

According to (Sutrisno, 2009), "Productivity is generally defined as the relationship between output (goods or services) and input (labour, materials, money)."

The Indonesian National Productivity Council has formulated a complete definition of productivity as follows (Umar, 2002):

1. Productivity is a mental attitude that always believes that the quality of life today is better than yesterday and tomorrow is better than today.
2. productivity generally means comparing the results achieved (output) with the overall resources used (input).
3. Productivity has two dimensions, namely effectiveness, which leads to achieving maximum performance and achieving targets related to quality, quantity, and time. The second is efficiency, which refers to efforts to compare inputs with realizing their use or how the work is carried out. (Hasibuan, H. Malayu S.P, 2007) Suggests that productivity is a comparison between output (results) and input (input). If productivity rises, this is only possible due to an increase in efficiency (time, materials, energy) and work systems, production techniques, and an increase in workforce skills ". In general, every company/institution always wants to increase its productivity to show that the company/institution is growing. Along with efforts to increase the productivity of the company/institution, one of the steps that can be taken is to increase or pay attention to compensation issues. According to (Andrey Chandra and Wibawa Prasetya, 2015), Productivity is a comparison between outputs and inputs. It prioritizes how to use resources to produce a good or service ". According to the Regional Productivity Development Center in (Umar, 2014) explains that there are six main factors that determine labour productivity, namely work attitude, skill level, relationship between labour and leadership, productivity management, labour efficiency and entrepreneurship ".

Based on the above description, what is meant by productivity is related to work attitudes, skill levels, relationships between workers and leaders, productivity management, work efficiency, and effectiveness.

The effect of wages on productivity

(Yohanes Djoko Suseno, 2015), Rewards for human resources have a dominant influence on employee work productivity. (Deepak Raverkar, 2016) Employee satisfaction is an essential component of organizational health and industrial relations. It also affects work behavior, such as accidents, absenteeism, turnover, and productivity. (Ramesh Kumar, 2017), To improve employee productivity and efficiency, management must emphasize the various factors influencing labor productivity and determine the effective utilization of available resources. (Gerhardus van Zy, 2021), A substantial negative impact of low remuneration on employee productivity levels. High income has a positive effect on employee productivity levels.

Hypothesis:

- H1. Workers' Organisation has a significant direct effect on wage rates
- H2. Workers' organization has a significant direct effect on labor productivity
- H3. Wage level has a significant direct effect on labor productivity
- H4. Workers' Organisation has a significant indirect effect on labor productivity through wage rate

3. RESEARCH METHODS

1. Sample

Data were collected from 200 employees consisting of men and women of the company in an electronics company located in West Java.

2. Data collection techniques

The data collection technique used a questionnaire containing written statements to respondents to provide answers. According to (Sujarweni, 2014), Questionnaires are data collection techniques that are carried out by giving respondents a set of questions and written statements. For this reason, the authors use a Likert scale to measure respondents' answers with a Likert scale of 1-5.

1. Strongly disagree (STS) is given a value of 1
2. Disagree (TS) is rated 2
3. Undecided (R) is rated 3.
4. Agree (S) is rated 4
5. Strongly Agree (SS) is rated 5

3. Research Design

This study consists of two variables, namely exogenous variables and endogenous variables. Wants to test the truth of a hypothesis carried out through data collection in the field related to (1) Workers' Organisation, (2) Wage Level, and (3) Work Productivity in electronic companies in West Java. The sample of respondents was 200 respondents.

4. the tool used is SEM PLS. 3.0 as a data processing tool to get the results that can be used to analyze the data.

4. RESULT AND ANALYSIS

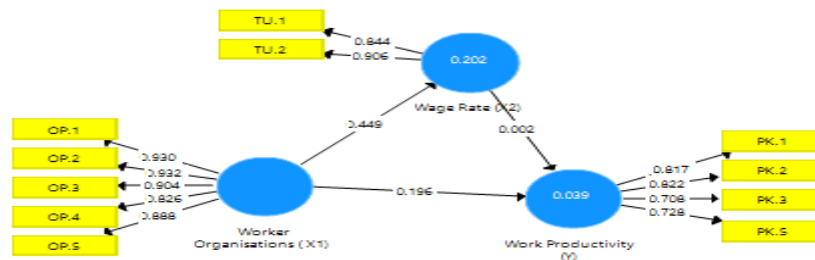


Image. 1

In the image above, the outer loading value of all indicators is above 0.5, so it can be said that the data is valid.

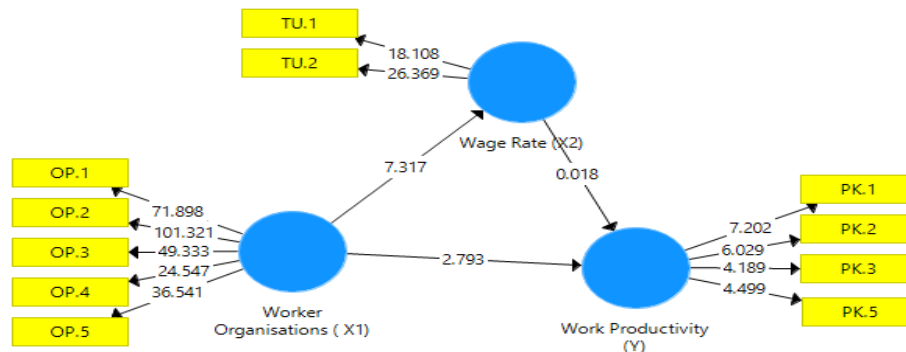


Image 2.

Tabel. 1 Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Wage Rate (X2)	0,699	0,725	0,868	0,766
Work Productivity (Y)	0,790	0,833	0,853	0,593
Worker Organisations (X1)	0,939	0,956	0,954	0,805

AVE, all variables are more significant than 0.5, so it can be said that the validity is met

Tabel. 2 Discriminant Validity

	Wage Rate (X2)	Work Productivity (Y)	Worker Organisations (X1)
Wage Rate (X2)	0,875		
Work Productivity (Y)	0,090	0,770	
Worker Organisations (X1)	0,449	0,197	0,897

The root AVE value of each variable is greater than the AVE of its correlation with other variables so that discriminant validity is met.

Tabel. 3. Direct Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Woker Organisation (X1) -> Work Produktiviti (Y)	0,196	0,209	0,068	2,904	0,004
Woker Organisation (X1) -> Wage Rate (X2)	0,449	0,454	0,057	7,853	0,000
Wage Rate (X2) -> Work Produktiviti (Y)	0,002	-0,002	0,124	0,018	0,986

H1.

Based on the table above, the direct effect of Worker Organisation on Work productivity is positive, meaning that if the worker organization increases its role, worker productivity will also increase. P Values are 0.004 < 0.05. This indicates that the effect is significant. The results show that the workers' organization has a substantial direct influence on employees' work productivity in electronic companies. When the workers' organization is well managed, it contributes positively and significantly to employee productivity.

H2.

Based on the table above, the direct effect of workers' organization on the wage rate is positive, meaning that if workers' organization increases their role, the wage rate will also increase. P Values are 0.000 < 0.05. This indicates that the effect is significant. The results found that workers' organizations substantially directly influence employee wage levels. This means that good management of workers' organizations can have a positive and significant impact on employees' wages.

H.3

Based on the table above, the direct effect of wage level on work productivity is positive, meaning that if the wage level increases, employee work productivity will also increase. The value value is 0.986 > 0.05. This indicates that the effect is not significant. The results show that the level of wages does not have a substantial direct influence on employee labor productivity. This may indicate that other factors besides wage rate are more dominant in influencing labor productivity.

Tabel.4. Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Woker Organisation (X1)-> Wage Rate (X2) -> Work Produktiviti (Y)	0,001	-0,001	0,057	0,017	0,986

H4.

Based on the table above, the indirect effect of Workers' Organisation on Work productivity is through the wage level. The P value is $0.986 > 0.05$, and the product is not significant; this indicates that the level of wages does not play a role in mediating workers' organizations on work productivity. The results showed that the effect of workers' organizations on work productivity is not direct through wage levels. This is indicated by the P-value, which is greater than 0.05, suggesting this effect's insignificance.

5. CONCLUSION

1. Worker organisation has a significant influence on work productivity (p-value = $0.004 < 0.05$). This means that the quality or factors related to worker organisation have a noticeable impact on the level of work productivity.
2. Workers' organisation also has a significant influence on wage levels (p-value = $0.000 < 0.05$). This suggests that how workers' organisations are organised or operate has an impact on the level of wages received by workers.
3. Wage level, although having an influence on labour productivity, is not significant (p-value = $0.986 > 0.05$). This means that, although there is a relationship between wage rates and labour productivity, the relationship is not strong enough to be considered statistically significant.
4. The indirect effect of workers' organisation on labour productivity through wage rate is also insignificant (p-value = $0.986 > 0.05$). This means that wage level does not act as a significant mediator in the relationship between workers' organisation and labour productivity.

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