

# THE ANALYSIS OF DOMESTIC EMPLOYEE COMPENSATION POLICIES AT MULTINATIONAL COMPANIES IN SUMATERA UTARA

<sup>1</sup>Fritz Octo Amando De'Houtman Saragih, <sup>2</sup>Yeni Absah, <sup>3</sup>Beby Karina Fawzee Sembiring

<sup>1, 2, 3</sup>Master of Management Universitas Sumatera Utara, Indonesia

Corresponding Author: Fritz Octo Amando De'Houtman Saragih

**Abstract:** *The existence of expatriate workers increasingly having an impact on several conflicts in the field of employment in Indonesia. These conflicts are related to different problems. Problems with expatriates are related to various matters including the compensation policy, namely the gap between compensation given to foreign workers (expatriates) and local workers (domestic) in Indonesia. The issue of unfair compensation by companies to workers is one of the hot issues that occur in compensation policies. Compensation policies also greatly affect to performance and can be a form of work motivation for workers.*

*This research uses a qualitative approach. A qualitative approach is more appropriate to obtain information on what they experience in the struggle with their problems with compensation policies. Key informants in this study were 4 people, namely 2 expatriate workers and 2 domestic workers who came from several different multinational companies. Data for research was collected through observation and interviews. The data analysis method uses qualitative techniques.*

*The results showed that there was discriminatory treatment in establishing compensation policies between expatriate workers and domestic workers, but the treatment was still in the reasonable category. Expatriate workers receive a greater compensation policy than domestic workers. There are several factors that are considered why expatriate compensation policies are so much greater, including the sacrifice of expatriates, differences in exchange rates, differences in lifestyle and culture, differences in needs and facilities as well as the level of company needs for expatriates (company prestige for workers). The results showed that 78.6% of domestic workers did not agree if expatriate workers received more compensation in Indonesia for various reasons. Domestic workers applying for compensation must follow the pattern of achieving performance so that domestic workers can compete with expatriates.*

**Key Words:** *Compensation Policy, Expatriate Workers, Domestic Workers, Multinational Companies*

## 1. INTRODUCTION:

The development and needs of the globalization era, demands the creation of employment policies that provide freedom in the competition of labor across countries. This policy requires the free movement of labor (personal movement) beyond the territorial boundaries of the country, this condition is referred to as the liberalization of the labor market. The Indonesian state realizes that the era of global competition will complicate the national economy so that cooperation between countries such as ASEAN, AFTA, APEC and even WTO will be very important in the coming 2020 (Sinulingga, Business Environment Analysis Edition 4, 2018). Thus each company can utilize human capital in accordance with needs and come from other countries to achieve the company's targets.

In addition, the enactment of visa-free for 160 countries also helped increase illegal foreign workers in the country. Foreign workers who should work in Indonesia should have certain skills or expertise rather than manual labor so as not to kill employment opportunities for local workers. Some of the reasons employers in many areas bring foreign workers with cheap wages. However, the current issue is the low wages of domestic workers compared to foreign workers. In comparison the number of workers in a company basically has two considerations, namely the opportunity to work and the quality of the workforce needed. If you look at the current situation, the relatively high growth rate in Indonesia has resulted in an increase in the number of skilled workforce needs from year to year. This has an impact on increasing the number of foreign workers (expatriates) which makes competition and its own problems.

The government has issued regulations for the management of workers, both foreign workers (expatriates) and local workers in the labor law, namely in Law No. 13 of 2003. In Law No. 13 of 2003 Article 1 Paragraph 1, explains that "employment is all matters relating to labor at the time before, during, and after the period of work". In Law No. 13 of 2003 Article 1 Paragraph 2 also states that "labor is anyone who is able to do work to produce goods and or services both to meet their own needs and for the community".

In the implementation of manpower there is a work relationship between the business owner and his workers who have parts of the labor process. Many things become the scope of the employment process starting from pre-employment, the period of work to the post-employment period, including the coverage of compensation. In Law No. 13 of 2003 Article 1 Paragraph 15 says that "employment relations are relations between employers and workers or laborers based on work agreements that have elements of work, wages, government and which are held for a certain time and an uncertain time. Employment relationships are also an important part of employment. Work relations are agreements made between workers and employers who get agreement from both parties. In accordance with Law No.13 Tahun 2003 that the provisions in the employment relationship agreement has several elements, namely service (service), time (time) and wages (pay).

There are several things that underlie the use of international compensation in multinational companies in the design of compensation, namely the problem of comparison (comparability). The relation of discriminatory treatment to the analysis of international compensation provided between expatriate workers and domestic workers has several key components that also form the basis of the international compensation policy itself, namely: basic salary, reward for working in a foreign country (foreign service inducement / hardship premium), benefits allowances and welfare programs.

The view that is so high when talking and seeing foreigners (abroad) is also a bitter reality that occurs in Indonesian society. Indonesian people tend to think that they are no better, consider migrants more perfect and thus weaken the mentality of the Indonesian people in competing. Moreover, the Indonesian State itself which installed low tariffs for Indonesian workers worsened the situation, resulting in a discriminatory policy in providing compensation to local (domestic) workers compared to foreign workers (expatriates).

Human resources are the most important element in running an organization. This is evidenced in Human Capital edition 1 (Nasution, 2015) which says that humans are capital, capital or the main assets in the organization. One problem that often occurs in the field of human resources is about compensation. Policies on compensation provided by several companies to human resources as the driving force of companies tend to cause controversy.

The issue of unfair compensation by companies to workers is one of the issues that occur in compensation policies. Compensation policies also greatly affect performance and can be a form of work motivation for workers. Providing satisfactory compensation is a way to improve work performance, motivation and job satisfaction of workers. Of course this becomes very important when there is a very contrasting gap between employee satisfaction with company income or profits in a certain period of time as well as between workers and other workers with relatively the same level / grade.

## **2. LITERATURE REVIEW:**

### **A. Human Resources**

Human Resources is a very important thing and must be had in an effort to achieve organizational or company goals. Human resources are the main element of the organization compared to other elements of resources such as capital, technology, because humans themselves control other factors.

### **B. Compensation**

According to (Marwansyah, 2010), compensation is a direct reward, indirect rewards in the form of additional benefits (benefits) and forms of additional services and incentives aimed at motivating workers to achieve higher productivity. In other words compensation is a form of appreciation from the company to workers for their contribution. Furthermore, compensation is divided into three components; basic compensation, incentives, and benefits (indirect compensation).

Compensation is all income in the form of money, direct or indirect goods received by workers in return for services provided to the company (Hasibuan, 2011). Cash compensation means compensation is paid in cash to the worker concerned. Compensation in the form of goods means compensation is paid with goods.

Compensation is a counter-achievement against the use of labor or services provided by labor. Compensation is the number of packages offered by organizations to workers in return for the use of labor (Wibowo, 2007).

### **C. International Compensation**

International compensation is the provision of monetary and non-monetary rewards, including basic salary, benefits, rewards, long and short-term incentives, valued by workers according to their relative contribution to the performance of multinational companies.

International compensation can also be interpreted as a comparison of international compensation and compensation in multinational companies (MNEs). Werner and Ward (2004) emphasize the complexity of international compensation practices because of the importance of differences between countries in terms of working conditions, law, culture but also a mix of different workers (expatriates, local residents, and citizens of third countries) and the introduction of exchange rate risk.

### **D. Discrimination**

Discriminant is a condition of inequality of treatment that occurs to an individual or group of people. Discriminant is a continuation of the word that comes from the word discrimination.

Discrimination according to (Eurofound, 2012) is defined as "different treatment of individuals or groups based on arbitrary ascriptive or acquiring criteria such as sex, race, religion, age, marital or parental status, disability, sexual orientation, political opinions, socio-economic background, and trade union membership and activities". This means "different treatment of individuals or groups based on arbitrary ascriptive or obtaining criteria such as gender, race, religion, age, marriage or parental status, disability, sexual orientation, political opinion, socio-economic background, and union membership. workers and activities".

The definition of discrimination according to Theodorson (1979) is an inhumane treatment of individuals, or groups, usually based on something, usually categorical, or distinctive attributes, such as based on race, ethnicity, religion or membership of social classes or position positions in groups.

#### **E. Performance**

In (Mangkunegara, 2000) defines the performance of workers as a result of the quality and quantity achieved by a worker in carrying out their duties in accordance with the responsibilities given to him. Performance according to Ruky cited by (Mangkunegara, 2000) is a form of business activity or program initiated and implemented by the company to direct and control employee performance.

### **3. RESEARCH METHODS:**

This research is descriptive qualitative, meaning that the research illustrates and explains matters related to using descriptive data in the form of written or oral words from people as research objects factually. According to Sinulingga (2016), descriptive research is a type of research that aims to describe systematically, factually and accurately about the facts and properties of a particular object or population. The research wants to ask or want to know about the meaning (in the form of concepts) and the phenomenon behind the detailed stories of the respondents with the background studied (Hamid, 2010).

The population of this research is workers who are key informants or expatriate workers and domestic workers with relatively same level of assessment criteria (apple to apple) so that as primary data in this study is appropriate and in accordance with standard comparisons with sampling techniques is Snowball sampling is an interesting technique sample from the population, i.e. pulling data elements from the population in stages so that the sample size gets bigger and longer.

Data can be obtained from two main sources, namely primary sources (primary sources of data) and secondary sources (secondary sources of data). Primary data, namely data on compensation of expatriate workers and domestic workers working in several companies in Sumatera Utara and perspective data of expatriate workers and domestic workers, which are then made based on comparisons based on quality, quantity, effectiveness and timeliness of work between the two. Secondary data is data collected and processed by other parties so that it does not need to be explored / searched by the relevant researcher but only to quote or retrieve (Sinulingga, 2018).

The method used in data collection is the interview method. The interview method provides the flexibility to ask questions about anything that is not yet understood and is known about the topic of the research being conducted. And the method of literature is collecting data from various related literature sourced from books and theses as well as using internet services.

### **4. RESEARCH RESULT:**

#### **A. Comparison of Compensation Policies**

##### **A.1 Based on Nominal**

The nominal compensation policy provided by multinational companies is one of the visible evidence when comparing compensation between expatriate workers and domestic workers. From the nominal amount of compensation it can be calculated how big is the gap between compensation between expatriates and domestic workers. The difference is also based on the reference policy determination by the company, because each approach to the determination of compensation policy produces a nominal amount that varies from one another.

#### **The following excerpts from interviews with informant I (Expatriates):**

"Would you mind to tell us how much the range is your compensation from your company? (ex: 20 million to 30 million or another number) "

"I mind it, our compensation policy is fully confidential. i could not give any info about it. Just close to my basic salary "

"Do you know about nominal compensation for your partner with the relative same position or grade in your company? (domestic)? "

"I dont Know and I should not know. As I said, whoever works hard they will get more ”.

**The following excerpts from interviews with informant II (Expatriates):**

"Would you mind to tell us how much the range is your compensation from your company? (ex: 20 million to 30 million or another number) "

"That's a sensitive question. I don't mind, I don't know the answer. If you mean compensation that all I receive from my company work or basic salary only ?.

"Your basic salary?"

"Up than 100 million in rupiahs"

"How about total?" (Like basic + facility + vee or bonus)? "

"Never to calculate, that's all"

"Do you know about nominal compensation for your partner with the relative same position or grade in your company? (domestic)? "

"Even though our position is the same, for domestic employers the nominal must be different. you can ask them to know the nominal ".

This is also in accordance with the estimated compensation given to expatriates based on the 2017 Indonesia Expat data. The informant also provided information that there were differences in nominal compensation between him and domestic workers with relatively similar positions.

**The following excerpts from interviews with informant III (Domestic):**

"Will you tell me what the nominal range of compensation you have received from your company? (e.g. 20-30 million or other numbers) "

"Nearly 50 million per month."

"What about the estimated total compensation? (basic salary + facilities + bonuses etc.)? ""There are transportation facilities, I switch to procuring cars, the rest is not there"

"What about your nominal compensation ratio with coworkers or fellow workers with a level / grade / position that is relatively the same as you in Indonesia?"

"From the information that I have obtained, with a position like me generally in the numbers 25 million to 35 million. What kind of nominal depends on which multinationals company? that means including bona fide companies or still including ordinary companies. The compensation I received was above the general nominal average, the figure was above 35 million. For PMA companies like where I work it is already satisfactory (back again, compared to the standards of fellow domestic workers) ".

"Do you know the estimated nominal compensation given by the company where you work for your expatriate colleagues in the same position?"

"The position of the same expatriate worker does not exist. My position is only filled by one person. His expats are in other fields, almost the same as mine. The reference designation model doesn't know much, but the nominal is far different from mine. Try to count and compare. I'm number 35 Million - 40 Million, or say 40 Million. Expatriates were paid an average of 10 -20 thousand US dollars. Try to multiply the value of Rp.14,000, - how much is the compensation? So it's clear, don't ask the difference. 45 Million compared to 141 Million rupiah is far away. That is the comparison of the compensation of domestic workers with expatriates in the PMA where I work ".

**The following excerpts from interviews with informants IV (Domestic):**

"Will you tell me what the nominal range of compensation you have received from your company? (e.g. 20-30 million or other numbers) "

"At present it is still below 20 million per month."

"Do you know the estimated nominal compensation given by the company where you work for your expatriate colleagues in the same position?"

"For the same position as me, there is no expatriate in my superior position. Expatriates are almost all managers with different fields. If the information is that the salaries of expatriates here are around 50 million to 70 million. "

Based on the results of interviews with informants, information was obtained that the nominal compensation received almost reached 50 million rupiah per month. The informant received additional facilities in the form of a transportation budget that was diverted by the informant to procure a new car. According to the informant the company already has a nominal as a reference in the determination.

### A.2. Based on Exchange Rates

Comparison of compensation policies concerning differences in country of origin between expatriate workers and domestic workers must also be based on exchange rate calculations. The calculation of the exchange rate itself is important in order to find out whether the nominal compensation received by expatriate workers in Indonesia matches or exceeds the exchange rate calculation limits. The exchange rate for making nominal compensation comparisons can be done by comparing with international standards, namely USD or by calculating the exchange rate of the country of origin of expatriate workers.

If the nominal exchange rate compensation compensation given to expatriate workers is still in the normal category that is in accordance with the proper sum, the policy cannot be said to be discriminatory treatment to domestic workers. However, if the calculation of the nominal exchange rate of compensation given to expatriate workers is not appropriate and is far more than the result of the calculation that should be, then it can be said that there has been a discriminatory policy against domestic workers. The following graph shows the minimum wage for workers in Turkey and in Japan:

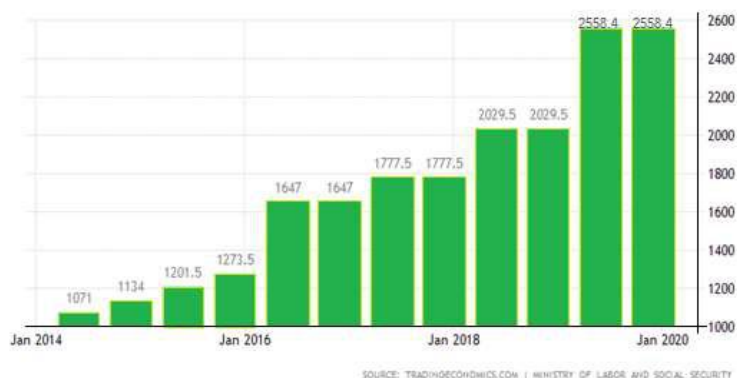


Figure: Chart of Minimum Wage Workers in Turkey

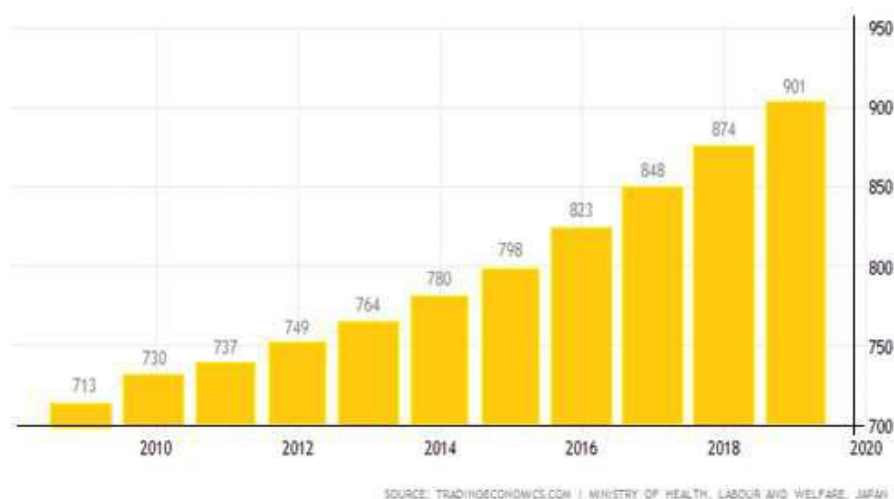


Figure: Chart of Minimum Wage Workers in Japa

Source: [tradingeconomics.com](http://tradingeconomics.com)

Based on the graphs in Figure 5.1 and Figure 5.2 obtained from the [tradingeconomics.com](http://tradingeconomics.com) website, the minimum wage for workers in Turkey is 2558.40 lira / month. If converted in rupiah to Rp.6.3 million / month. The nominal is still lower than the expatriate (informant I) income of Rp. 30-50 Million / month in Indonesia. The minimum wage for workers in Japan is 901 yen / hour. If, workers receive 901 yen / hour it can be converted into Indonesian currency with a nominal value of Rp.28 million rupiah and that is less than the compensation of expatriates (informant II) currently at more than Rp.100 Million / Month.

#### 4.3. Based on Policy Reference

Based on the results of the study found differences in the number of compensation policies provided between expatriate workers and domestic workers. The difference is inseparable from the basis for determining the compensation policy given to expatriates and domestic workers. It's just that, from the results of interviews with several informants with different background multinational companies obtained relatively similar answers. The answer obtained from the results of the interview with the informant was "there are differences in the basis or method of determining the compensation policy provided between expatriate workers and domestic workers". The different foundations or methods of determining compensation policies based on the results of research and based on the informants' answers also differ. In other words, there is no standard that can be applied generatively by multinational companies in determining compensation policies.

##### **The following excerpts from the results of interviews with informant I (Eksapatriat):**

"Does your company use the UMK reference in Indonesia or the UMK reference in your country your to negotiate your compensation?"

"We are following UMK from Indonesian plus another policy to export".

"Do you know how your company sets the compensation for Indonesian employers?"

"Absolutelly with UMK, but if you ask nominals. we are different and i thin'k its normal. If the employe, we, any body has a good skill and more added skills, they can get more than basic UMK. For example, if Indonesian can speak English well, so we (the Company) give it more. So that's the different for compensation with Indonesian people".

##### **The following excerpts from interviews with informant II (Eksapatriat):**

"Does your company use the UMK reference in Indonesia or the UMK reference in your country your to negotiate your compensation?"

"Our company where I work does not use compensation references from my country or from your country (Indonesia), I negotiations and determine the compensation that we agreed. So my compensation policy is the result of an employment contract agreement. I know the company has standards. I just negotiable".

"Do you know how your company sets the compensation for Indonesian employers?"

"I don't know realy, but in my division, I know how the company sets compensation for Indonesian. Company I hink use Indonesian standards like MSE to get the minimum standard value for the compensation, that's only to be a references. I think maybe up then the UMK is 30% until 50/70%. The company also sets it up by comparison from the International Compensation System. Give him bous I see it".

Reference compensation policies that can be used by multinational companies is very diverse and based on the results of interviews with informants obtained information that they have different compensation policies. Basically the compensation policy provided by the company has gone through the stages of company analysis before it is determined as a policy stipulation. Multinational companies generally use the international standard reference to set compensation policies for expatriate workers, because they use the negotiation approach and companies have obtained compensation data based on the market rate approach.

In contrast to the compensation policy given to domestic workers who are dominantly following the MSE and referring to the implementation in accordance with the Indonesian Constitution. But there are also multinational companies providing different policies, namely by providing additional amounts that follow international standard calculations by offering offers for negotiations to domestic workers. It's just that this policy only applies to a few companies and only to prospective expert workers (experts) from domestic.

##### **The following excerpts from interviews with informant III:**

"Can you tell how the company determined your compensation?"

"Looks like the reference is UMK, but I'm negotiating too".

"Do you know the laws or government regulations that govern compensation policies?"

"Not all."

"What number and paragraph do you know?"

"Law No.13, I do not know the verses. I know that there is an equal distribution of rights and obligations between workers and companies, companies must be fair to their workers.

"What is your response to the enactment or relationship of laws and government regulations with the compensation policy given to you and to expatriate workers?"

"That is one of the problems. The problem is the law is not used in PMA. If the law is actually used in PMA, my compensation should not be this much".

Enforcement of government regulations does not always run and is applied to every company policy. As stated by the informant, that such laws or government regulations do not apply to PMA (multinational companies). Analysis of the statement contains elements

#### **A.4 Based on Lifestyle, Culture & Needs**

Lifestyle and culture are also very influential in establishing compensation policies given to expatriate workers. This effect impacts the gap between expatriate workers' compensation and domestic workers' compensation. Lifestyle can be in the form of fulfilling life style desires given to expatriate workers. In this case the company can make a decision to provide a compensation policy that is different from the compensation of domestic workers. The company will provide more nominal if the lifestyle demands of expatriate workers must be met. The company can also do this by providing an additional nominal if the demands of expatriate life style must be met.

#### **The following excerpts from interviews with informant I:**

"How does your performance compare to your coworkers (domestic)?"

"I am working seven per twenty four. (every time in one week). My phone is always active. Work always priority. All responsibility is under me. That's the differences between me and coworkers".

"What distinguishes you from other workers (domestic) at work?"

"Like my answer before. I am working by outcome, every time in twenty four hours per day. Domestic, I mean Indonesian eight to twelve hours only".

Differences in compensation policies between expatriate workers and domestic workers also occur because of differences in needs, especially to the needs of expatriate workers that are different from the needs of domestic workers. Differences in needs are derived from cultural differences between Indonesian society and the culture of the country of origin of expatriate workers. In meeting the needs of workers, there are companies that do not interfere in how these workers manage finance to meet their needs, namely by combining compensation and there are also companies that prioritize meeting needs but do not combine it with compensation.

#### **The following excerpts from interviews with informant II:**

"How about your need? Are you accept all?"

"Need for life cycle? Yes I am".

"You fell satisfied?"

"Yes, but not like in my country right. Like food, I can eat any food here. I mean Indonesian, but if I want sushi I must go to Medan right? Especially when I am first time in Indonesian".

"How long have you been to adapting?"

"One year, maybe".

In meeting the needs, almost every human being can adapt to the new environment. However, the time needed is different for each person, as well as for one of the informants in the study. Information was also obtained that the company had applied well in terms of meeting the needs of expatriate workers, however according to the informant it would not be the same compared to the country of origin.

#### **A.5. Based on Benefits & Facilities**

Allowances (benefits) are additional benefits offered by the company to its workers. Based on the results of the study obtained information that one of the largest parts in expatriate compensation policy is tunjangan. However, expatriate informants did not provide detailed information about the calculation of the benefits provided to them. Based on the literature there are 2 types of benefits, namely:

- Permanent allowances are benefits that are routinely given per month in a relatively fixed amount, for example: job allowances, family allowances, expertise / professional allowances.
- Non-permanent benefits are benefits which are calculated based on attendance or work performance, such as transportation allowances, meal allowances, incentives, operational costs

Facilities are one of the factors that influence the comparison of compensation policies between expatriate workers and domestic workers. The facility is also one of the triggers for feelings of jealousy by domestic workers towards what is given to expatriate workers. The basic principle of granting facilities by companies to expatriate

workers is to provide convenience and one way to bind expatriate workers to want to work with the company. Expatriate workers who come from other countries will certainly need an adjustment to the State of Indonesia.

**The following excerpts from interviews with informant I:**

"You receive any facilities from your company?"

"Yes I am".

"What's that?"

"They gave me tickets for going and back to my country, two times in one year. They gave me the full house facility. They give me a car and sometimes with the driver, if I want to go to any place for business.

**The following excerpts from the interviews with Information II:**

"You received any facilities from your company?" What's that ?:

"As I said before, the facilities that I have received have been included or packed together with the compensation. I receive every month. So, I prepared everything myself. Consider the nominal compensation all, except for official homes and official cars."

Based on the results of interviews with informants, information was obtained that there were differences in compensation policies between expatriate workers. There were informants who received several facilities in addition to their compensation policies. The facilities in the form of plane tickets, houses and a car are included in the additional informant compensation policy. Such a logical reason is to provide comfort to expatriate workers. It is also very important to maintain and provide opportunities for workers to be more comfortable working.

**A.6. Based on Performance (Quality, Quantity, Effectiveness and Timeliness)**

To measure whether the compensation policy gap received by expatriate workers and domestic workers is appropriate or not can also be done by comparing performance. Performance comparison can be one of the appropriate comparison benchmarks to see whether there is discriminatory treatment in the determination of compensation policies against domestic workers. In this study, researchers were unable to obtain official KPI (Key Performance Indicator) data from multinational companies where the informants worked. Therefore the researchers used a cross-sectional perspective between expatriate workers and domestic workers in comparing performance to the compensation policies provided.

Although performance appraisal by informants can lead to subjective judgments, it can be taken into consideration. However, both expatriate and domestic workers can provide information on the performance of colleagues in relatively the same position and conduct a performance evaluation of themselves based on KPI achievements and data from the company against them.

**The following excerpts from interviews with informant III (Domestic):**

"How do you respond to the nominal compensation you receive if it is related to the nominal expatriates judged by their performance (quality, quantity, effectiveness and timeliness of work)?"

"The performance of expatriates with domestic workers is not necessarily better, but it is our (domestic) researchers who think that expats are definitely better. Both in terms of quality, quantity, effectiveness and timeliness of work. There are expatriates who cannot be compared to domestic workers, for example expatriates with certain expertise. this category may be from the quality of knowledge and the effectiveness of their work performance better than domestic workers. PMA has equipment that is sent directly from the country of origin of the PMA, expatriate workers are automatically superior in their operations. But for other fields such as management, business, finance, marketing, and others are still competitive. In fact, it is supposed that for certain fields of domestic workers the dominant one is superior. In the field of marketing, it is certain that domestic workers have more control over the location of marketing these products in their regions. Companies, even the Indonesian people, should be aware that expatriates or people with bachelor's degrees from abroad do not guarantee their performance. Another difference that is not suitable for comparison is the timeliness of work. The indicator sometimes is different between expatriates and domestic workers. Domestic workers are still adrift of using standard time or work time, entering 8 to 4 pm or 6 pm. Domestic workers are still in the process, while expatriate workers have irregular working hours but there are results. Expatriates are more focused on output or work, do not see the time can even work all day nonstop until the job is really finished. In the use of time, work culture factors also influence it.

"What distinguishes you from your expatriate colleagues in terms of performance?"

"The difference is that for a job desk like me, I dare say I'm superior because I am more in the area of product marketing compared to expatriates. I can work in business and am also an industrial engineer. "



Based on the results of interviews with informants, both expatriate workers and domestic workers obtained information that the ratio of work quality between expatriate workers and domestic workers is not much different, because for jobs in work positions with relatively similar jobdesk will certainly be demanded to produce relatively the same quality of work. For example, in multinational companies that move in the field of manufacturing, workers with positions as marketing managers will get jobdesks and targets that are relatively the same between teams or workers with one another.

Another difference in performance between expatriate workers and domestic workers lies in the effectiveness of the work. From the research results obtained information that the effectiveness of expatriate workers is more dominant to be seeded. More dominant in the sense that not all expatriates excel in work effectiveness, there are also expatriate workers who are not superior in work effectiveness. This assessment of work effectiveness can be seen from the use of various media and work equipment found in each company.

In terms of the use of work tools, expatriate workers can be considered superior because of the possibility that the equipment used by the company is from the same country as the expatriate worker. For example, the use of production machinery imported from Japan by expatriate workers who also came from Japan is definitely superior to domestic workers. The existence of expatriate workers can also be based to fill positions of expertise in the field of use of the production machine.

Overall assessment of aspects of performance indicators, there are differences in performance productivity between expatriate workers and domestic workers. However, this difference does not look too much different even there is also a better performance of domestic workers compared to expatriate performance. The predominance of expatriate worker excellence also received comments and criticism from informants who came from domestic. According to them there are comparison points that cannot be compared because of the demands of the country of origin of the multinational corporation. In accordance with an excerpt from the statement of the informant in the study which said that "the performance of domestic workers is not much different from the performance of expatriates, but the compensation gap provided is so large".

## **B. Impact of Compensation Policy Determination**

Basically compensation is a form of remuneration by a company or organization for business and performance that has been dedicated by workers for the purpose of the company. Compensation can also be a form of motivation that affects the productivity of employee performance. Proper and proper management of compensation by companies against their workers can provide an impetus for increasing the productivity of workers' performance. Conversely, improper handling or management of compensation will also affect the lack of impetus in implementing performance and also have an impact on the achievement of company targets.

### **The following excerpts from interviews with informant IV:**

"In your opinion, does the compensation policy affect performance productivity? Give a reason? "

"There must be an effect. If compensation is not in accordance with the workload provided by the company in my opinion there are two possibilities. The first possibility, but it seems rare, is that workers become more responsive or increase productivity in their performance. The goal is to make the compensation become bigger. This possibility is rarely found, because the company may not have benchmarked with performance, the amount of compensation has become a provision or indeed the ability of the company. Here (the company where they work), compensation has been determined based on grade / position and incentives are determined for achievement. As high as any achievement or want to be forced whatever the performance, compensation is not much different (a slight increase) unless the achievement has exceeded the specified target. The second possibility and usually happens, workers become more lazy. This possibility occurs because of an unpleasant feeling when we are trying for the company but the company is not appreciating our performance by providing compensation policies that are not in accordance with the nominal that we expect ".

"What do you think are the effects of establishing a good compensation policy?"

"Many. One of them is increasing work productivity, increasing work motivation, observing work implementation, increasing work morale, and more. The point is that if compensation is good, workers will really give the best for the company as well. "

"What do you think are the effects of setting a bad compensation policy?"

"Lots of it too. Everything is the opposite of the positive impact for the company. feelings of dissatisfaction can be a source of negative energy for workers in carrying out their duties and responsibilities. Almost the same as buying something, you certainly will not be happy if the goods you buy at a great sacrifice but the goods do not meet your expectations?"

Good or bad management of compensation provided by the company is a form of perspective that is relatively different between one worker and another. There are workers who are satisfied with the compensation policy they have received and there are also workers who are not satisfied with the compensation policy they have received. These differences in perspective refer to workers' understanding of the process or form of compensation provided by the company and can be a trigger for conflict.

## **C. Discriminant Analysis of Compensation Policies Between Expatriate Workers and Domestic Workers**

### **C.1. Based on Nominal**

The nominal compensation policies provided by multinational companies between expatriate workers and domestic workers vary. In comparison, there is a gap from a relatively small nominal to a large enough nominal value. The difference is based on the reference to the determination of compensation policies used by the company, because each approach to determining compensation policies will produce a nominal amount that varies from one another.

#### **The following excerpts from interviews with informant III:**

"Are you willing to tell us what the nominal range of compensation you have received from your company? (e.g. 20-30 million or other numbers) "

"Nearly 50 million per month."

"Do you know the estimated nominal compensation provided by the company where you work for your expatriate colleagues in the same position? "

"The position of the same expatriate worker does not exist. My position is only filled by one person. His expats are in other fields, almost the same as mine. The reference designation model doesn't know much, but the nominal is far different from mine. Try to count and compare. I'm number 35 Million - 40 Million, or say 40 Million.

Expatriates were paid an average of 10 -20 thousand US dollars. Try to multiply the value of Rp.14,000, - how much is the compensation? So it's clear, don't ask the difference. 45 Million compared to 141 Million rupiah is far away. That is the comparison of the compensation of domestic workers with expatriates in the PMA where I work".

The results of interviews with domestic informants described discriminatory treatment in policy enforcement. The company is considered not to be transparent in determining the compensation policy, because it does not notify the comparison of the nominal compensation given to expatriate workers and domestic workers. This is indeed a challenge and a common problem between expatriates and domestic where there is always a form of dissatisfaction from both parties.

#### **The following excerpts from interviews with informant IV:**

"Are you willing to tell what the nominal range of compensation you have received from your company? (e.g. 20-30 million or other numbers) "

"At present it is still below 20 million per month."

"Do you know the estimated nominal compensation given by the company where you work for your expatriate colleagues in the same position?"

"For the same position as me, there is no expatriate in my superior position. Expatriates are almost all managers with different fields. If the information is that the salaries of expatriates here are around 50 million to 70 million. "

"What about this compensation data"?

"Wow this is huge, I'm not sure the difference is this much. If you have a salary of this level, you can employ 3 people at once ".

"Do you think the company you work for is already open in handling compensation?"

"Looking at the data it is definitely not yet, because we just don't know the difference in compensation between expatriate and local workers"

"In your opinion, do you agree with the use of the compensation policy system given to you?"

"In my opinion, I agree that when I do not know the comparisons of compensation given between me and my colleagues, especially to foreign workers. I also agree that when I was hired to work here I was told how the policy was determined. Because after I know and I agree there will be no words of disagree and criticize or feel cheated. Now I do not know in advance what the approximate comparison is. After knowing and seeing a comparison like that, surely I and anyone feel cheated. But back again, it can't be said to disagree because when applying for a job, the

figure of 15 million is given to us, already big enough. For example, if I was offered the number 15 million at that time, if I refused, there would be other people willing.

## **C.2. Based on Government Regulations**

There are still many employers or companies that treat workers improperly, treatment that is not in accordance with applicable regulations.

### **The following excerpts from interviews with informant V:**

"Do you think the policies written in the law have been applied optimally in the field of employment? Reason?"

"Optimal in implementation maybe not yet. The law is only as a guideline in the labor system, both as regulators of relations between workers and bosses or business owners, regulators of work agreement models, regulators of wage policy and others. The law cannot conduct its own supervision, we as a community both from the government, workers and business owners are supervisors and implementers of the law. So it is certain that the law will never be optimal in the implementation of the field, but in my opinion the formulation of that law has already been "

"How do you respond as the competent authority in labor inspection finds acts or behavior that is not in accordance with the law by the company for its workers?"

"If there is behavior that is not in accordance with the law as a reference, surely we are the problem. Does the employer as the owner of the business treat workers improperly, for example wages given tend to be incompatible according to the law, it still cannot be ascertained that mistakes are on one side. If we judge that there is an error in determining the payment of wages as a person who observes, but there is no error or problem between those who make an agreement, it means that we cannot bring it up.

Various attempts have been made by the government, both based on the making of laws to various other policies. However, to date these various efforts and policies have not been able to have a significant impact with a positive trend to produce a conducive employment atmosphere. This can be seen from various labor-related conflicts, such as conflicts between expatriate workers and domestic workers.

### **The following excerpts from interviews with informant V:**

"How do you see the various phenomena of conflict that occur in employment in Indonesia, especially the conflict between expatriate workers and domestic workers?"

"Actually, the conflict occurred because of a misunderstanding. Problems are sometimes trivial, but in Indonesia, the amount is fast. It's not just the conflict between expatriate workers and our workers. In all problems, whatever the initial source of the problem, small problems are always exaggerated. Conflict between expatriate workers and our (domestic) workers is sometimes not a problem between them, but you other elements in it such as politics and economics. Sometimes I am also confused by these conflicts. They reject the existence of foreign workers (expatriates) in Indonesia, but they are not aware that Indonesia has already established cooperation with other countries. If it is a socio-cultural problem, they may protest, even if the presence of expatriates is disturbing or inappropriate. This conflict is due to politics, jealousy from one party that develops expatriate issues so that they can benefit. If this problem indeed I already understand, because this is actually due to lack of maturity. Our society is not mature enough to respond to issues, disagreements, and differences. That is all.

"How do you see the conflict or gap between the compensation policy for expatriate workers and domestic workers?"

"This problem is also the same as other problems. Starting from a small problem into a big one. The difference in compensation between expatriate workers and our (domestic) workers is certainly there. It is not possible for foreign workers to come and work in Indonesia if the pay is not appropriate. But that is also regulated in the law. Foreign workers are also not arbitrary, if they work in Indonesia at this time the provisions must have skills that are not owned by the workers in Indonesia. If there are workers with skills or abilities that can be done by our (domestic) workers, why would the company use the services of foreign workers. Indeed there are still workers like that (do not have special skills), surely that is just a few, few and who escaped immigration requirements. Estimated comparison of compensation is not too far, I think around 10% - 50%. Even then, if the workers do have expertise. If for ordinary workers it is different too but the difference is a little, around 5% - 10%. The amount of compensation was also adjusted to the company policy and the expatriate worker tax was also greater than domestic workers, so it was the same. Just a little different.

"What do you think of the response of workers who tend to direct the point of policy mistakes in employment come from the government?"

"This is what I meant earlier, our society (workers) are not mature enough. We do realize that there must also be mistakes from the government, that can be technical or implementation. We are all the same, workers in companies both multinational companies, SOEs, private companies and we in this government are both human beings. If there are mistakes it's normal, because we have limitations. Just as you said related to the problem of lack of supervision because many are not registered or illegal and differences in compensation are not reasonable. But the government has tried to do everything as optimal as possible. This is also the problem. If the government interferes too much with companies, the companies will eventually be able to close their businesses or move. Then the workers get laid off, where else do they want to work? after all the government is also blamed ?. This part of the workforce is like the fruit of Simalakama too, doing wrong can not do more wrong. Especially for PMA (multinational companies), if we suspect that they are found to have a problem, they may decide to move to another country. While from the center very aggressively seeking investment from other countries to Indonesia, so the government relaxed the policy requirements that burden them. Our workers are also less aware that the actual number of expatriates in Indonesia is not how many of our workers (domestic) are abroad. For example, if we return expatriates from Indonesia, what if our workers are also sent home from the country where they work? We have to understand each other how our position and situation really are, we have to study harder and work harder if we don't want to be shifted by foreign workers. "

### **C.3 Based on theory**

Some points that need to be considered by the company in determining the compensation policy can be a comparison of the suitability of the compensation policy given by the company with theory. The comparison between the policies carried out with a number of points is not appropriate. From the results of the study, it was obtained that the stipulation of compensation policies provided by companies tended not to refer to the performance of these workers. Policies set by the company towards expatriate workers are more based on negotiation of work contracts. Likewise with domestic workers who get more compensation calculations to conform with the provisions of the company and the ability of the company.

#### **The following excerpts from interviews with informant III:**

"Do you know the method or method of the company to determine compensation (ex: following UMK, negotiations or international compensation?)"

"I don't know. I negotiated to get the nominal salary and facilities provided, because the company had made an offer beforehand. I do not know where the offer came from "

#### **The following excerpts from the interviews with informant IV:**

"Do you think the company you work for is already open in handling compensation?"

"If you look at the data it is definitely not yet, because we just don't know the difference in compensation between expatriate and local workers"

However, the perspective of discriminant behavior in compensation policies will not occur if there is a comparable form of satisfaction between workers and the company. Basically, all polemics or conflicts will not occur if all workers and the management of the organization (company) understand their respective conditions (Khair, 2018).

### **C.4 Based on Other Factors**

From the results of the study, several other factors were obtained which could also be considered and become logical reasons for the answer why expatriate compensation is greater than the compensation of domestic workers. Some of these factors include:

#### **1. The company's needs for workers**

The company's need for workers is an important factor influencing compensation policies between expatriate workers and domestic workers. The company basically will do everything for the progress and development of the company. Therefore, the company will look for the best and right people to work for their company. In other words, the existence of expatriate workers is also due to the level of need for their abilities.

#### **The following excerpt statement of informant I (Expatriates):**

"I have never been asked to be placed in Indonesia. Previously I worked in Thailand at the same company, then the company asked me to move to Indonesia. As a worker I'll follow my company's request. Because we have a fair agreement. The question is, if the company does not need me, why am I being asked? if domestic workers can do it, they certainly use domestic services, because it is cheaper.

#### **The following excerpt statement from informant II (Expatriates):**

"I was reading and seeing your thesis proposal. Why do you say there's discrimination happened when we (expats) get more salary from domestic coworkers. You just ask them, does the company discriminate for them? They know all about compensation for me and for all the workers. Don't you consider your statement? we leave family in our country, leave loved ones and comfort that we don't get here? How? Is it appropriate that our compensation must be the same as the compensation of workers from Indonesia? I don't want to continue anymore. Sorry you can ask them. Thank you You must know there are still things cannot be measured by money in this world, you can't buy at any price "

**The following excerpt statement from informant VII (Domestic):**

"Discrimination is actually not only in terms of compensation policies, starting from the recruitment has occurred. There is no need to look at multinational companies in distinguishing prospective outside workers from our workers, which is common among ethnic groups as well, especially with expatriate workers. There is an image for multinational companies to raise their existence if they employ expatriate workers. The company is considered capable, both able to get its expatriates, able to pay its salary. That's still beyond his ability. The point is for the company to lift its existence (mob) against its competitors. Especially if the worker is specific and does have good skills. Just like how the head hunter works. They will try to find the chosen people to be placed in positions of need in the company. It could be because seeing the origin of USU graduates (alma mater) compared to other campuses. It has something to do with prestige. So it is not uncommon for head hunters to choose the wrong person. Likewise with multinational companies "

**The following excerpt statement IV (Domestic):**

"In the professional world, skilled workers are certainly not arbitrary in choosing a job. Selection errors that affect the track record carrier. I myself am not an expert, I also choose when I want to work, but sometimes it tends to be because I have no experience so what is important is to enter first. You will be like that later too. After having experience, it can be said that we have skills in certain fields, then we will be sought by companies that need it, but still see the number. Such a quota between the needs of the company and the number of skilled people. In Indonesia, there are many experts, but companies use outside workers, that's why. In our company (where informants work) there is such a thing as a trend for hiring prospective employees. for example this year the assessment of university A is superior to university B, or vice versa it influences the most important personal candidates. I also just learned that. For outside workers, there is a trend that influences it. for example between workers from Malaysia, or Thailand or India or from anywhere. The company sees the potential of human resources in the country. The company is also like that, there are levels that make it a target. For example, the company with the highest salary payments is certainly Google, Microsoft, Oil and Gas and others. I'm also interested anyway, but it's definitely difficult because of competition "

**5. CONCLUSIONS:**

Based on the results of research and discussion, it can be concluded that:

- Differences in exchange rates between domestic workers and expatriate workers.  
This difference can be a logical consideration to see whether the compensation policy given to expatriate workers is too large or not.
- Less optimal role of government  
The government is still not optimal in handling various conflicts that occur in the world of labor. Both in the formulation of policies to be implemented, implementation, supervision to the act of sanctioning those who break them.
- Lifestyle and cultural differences between expatriate workers and domestic workers.

This influence occurs because of adjustments to the company's desires for its workers. There are also several other factors which are not included in some comparison points, but which are very influential in the comparison of compensation policies between expatriate workers and domestic workers. these factors include:

- a) Company needs for workers
- b) Sacrifices made by expatriate workers  
For most workers, leaving the family is something that is very difficult to do so it can be called "a big sacrifice to be paid handsomely".
- c) The company's prestige for workers

**6. RECOMMENDATIONS:**

Here are some suggestions that can be made from the results of research:

- For the Government: Optimization of government regulations, starting from the determination of policies,

implementation, supervision to the sanctions for those who violate and provide education about the method or method of determining compensation policies for domestic workers

- For Workers: Increased knowledge for domestic workers.
- For Companies: Changing the standard setting of compensation policies given to domestic workers, namely: not referring to MSEs or UMP but based on performance. So that competition between expatriate workers and domestic workers is healthier and more productive.
- For Researchers: Can carry out more in-depth research to research about the treatment of multinational companies or the comparison of compensation policies to Indonesian workers as expatriates in other countries.

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