

# Questioning the Effect of Employment Conditions, Welfare Facilities and Middle Managers in Lime Stone Mining Activities of Pt. Tonasa Cement Indonesia, Tbk. from A Japanese Management Style Perspective during Covid-19 Pandemic and the New Normal Era

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**Abstract:-** This article employed a documentation analysis and in-depth observation techniques on the situation faced by one of the biggest limestone mining companies, PT. Tonasa Cement Indonesia, Tbk. (TCI). Employment conditions and welfare facilities become the focus of this article as they influence employee performance in the said company. Nevertheless, during the primary data gathering, we found some conflicting aspects that need to be addressed directly by the Human Resource Division and Board of Directors. The article closes with some summary and recommendations that we think would contribute to the field of Human Resource Management to build a strong case study and thorough qualitative analysis on the subject related to employment conditions, welfare facilities, and middle managers.

**Keywords:-** *employment conditions, welfare facilities, employee performance, middle managers, Japanese-style management, an Indonesian mining company, PT Tonasa Cement Indonesia Tbk.*

## I. INTRODUCTION

The covid-19 pandemic has passed, however, the remnant of the virus known as Omicron still exists in Indonesia. The recent cases of Omicron infection are catching Indonesian's society attention as the mass media and social media tend to report them regularly. This has put the Government of Indonesia (GoI) in this New Normal Era to re-advise Indonesian citizens on the wear of face masks, hand sanitiser, etc,

This article employs a qualitative method analysis to unearth our primary research question on how employment conditions and welfare facilities affected employee performance in the biggest lime mining company in the Eastern Provinces of Indonesia, PT Tonasa Cement

Indonesia, Tbk. (TCI).

The internationalization of business and the emergence of multinational companies have been major trends in recent years. Indonesia as one of the countries located in South East Asia has also attracted many foreign companies to establish their business there. Some of them are Japanese foreign companies. The Indonesian Foreign Japanese company as a comparison to the subject of this study adapts their organizations according to their worldwide involvement and strategies.

In the process of sustaining TCI's future in this circular economy, we advise TCI to adopt the uniqueness of the Indonesian Foreign Japanese and their Japanese-style management along with their global organization structure within TCI's daily organizational activities. A critical review of the literature both sourced from Japanese and English have revealed the conceptual framework of this study by looking at the unique Japanese-style management and some current issue that evolved around its practices in Japan which are believed might influence TCI practices. The nature & importance of Japanese middle managers in Japanese today's corporations is thus discussed. A preliminary review of various management approaches is also discussed. Finally, an identification of the problem is clarified and our analysis and results of this qualitative study are presented.

Dyna (1972) explained that multinational organization primarily deals with the ways of establishing the internal relationships of authority, responsibility, communications, and control of a company to achieve its basic purposes and objectives. It also determines the functional and other interrelationships among people within the firm to manage and perform the work of the enterprise. The organization sets up the structure for decision-making within a company

and strives to blend decision-making with specialized expertise on a variety of short and longer-range problems that a company encounters.

Thus, multinational companies want to anticipate and influence their future rather than be victims of it. They want to use their corporate resources – management, personnel, technical and business know-how, funds, and other assets – more efficiently and productively. Managers as one of the company resources are the most important central component which guides its companies to achieve its previously stated purposes and objectives.

It is a recognized fact that managers play a crucial role in today's global industrial society. Megginson (1963) pointed at the contribution of managers to economic development by saying: "...it is becoming evident that one of the main reasons for this fantastic economic development has been the vitality, energy, and practical intelligence of the men who have managed it...".

Industrial growth contributes significantly to the economic development and the civilization of the country. Industrial growth depends a great deal upon the abilities and skills of the managers in managing their national or multinational industrial corporations. Farmer and Richman (1965) state: "We view management as the single most critical social activity in connection with economic progress. Physical, financial and manpower resources are by themselves passive agents; they must be effectively combined and coordinated through sound, active management if a country is to experience a substantial level of economic growth and development. A country can have sizeable natural and manpower resources including plentiful skilled labour and substantial capital but still, be relatively poor because very few competent managers are available to put these resources efficiently together in the production and distribution of useful goods and services."

Today, before the recent financial crisis in Asia followed by Japan (Akira, 1999), a question arises about how Japan's competitive edge will stay on top and how will TCI particularly will cope with this problem and succeeds in the future. Apart from the entire problem that Japanese company must face back in the homeland, an assessment of management candidates for a middle management position are still one of the most crucial roles even when it is operating in a foreign country.

This call for research, then, will try to cover the object and purpose of our study, shortly after this introduction. We also try to discuss the conceptual framework of this study by looking at the unique Japanese-style management and some current issue that evolved around its practices in Japan that we believe might influence TCI practices. The nature of Japanese middle managers in Japanese today's corporations will also be explained. A preliminary review of various management approaches is discussed. Finally, an identification of the problem is clarified and our plan of study is presented.

## II. OBJECT AND PURPOSE OF THE STUDY

Before going deeper to explain the above statement, we strongly believe we need to look back to the role of a middle manager in Japanese history. According to Hasegawa (1985), middle managers are as indispensable to the existence of Japanese corporations as food and air are to human beings. When Japan entered the mainstream of international affairs in 1868, middle managers played a central role in assimilating and introducing the foreign expertise – technological, economic, political, and military – needed for the modernization of Japan.

The situation after World War II was similar, for the nation was once again starting from scratch. With the defeat, the middle manager that had devoted themselves to the war effort now turned their energies to the task of reconstruction. At first, many were jobless; the majority soon found employment in private industry. Driven by the need to earn their keep, as well as by a professional sense of responsibility, they tackled the arduous job of resurrecting the nation's industry. This sense of dedication and commitment to the job is so prevalent in Japanese companies that it endows them with a special atmosphere, in which work takes precedence over private life.

This atmosphere we believe can repeat itself today and we believe the crucial role of middle managers in guiding TCI to cope with the problem back home in Japan and successfully operating its business outside its own country is dispensable if their companies are to survive the financial crisis of today's economy.

Thus, we choose to study middle management at TCI for several reasons, they are:

- The crucial and unique role of the middle manager. He has to translate objectives and policies coming from top management in operational terms. Implements and supervises plans and decisions. Compresses the data coming from lower levels of the organization and from outside the company in forms useful for upper-level decision-making. Coordinates the available resources and sustains the effective functioning of the organization.
- The middle manager has the opportunity to be promoted to key positions and top management positions responsible for making crucial decisions concerning the adjustment and development of the business organization in an ambiguous and ever-changing environment.

## III. CONCEPTUAL FRAMEWORK

### A. Japanese-Style Management

As have been known, lifetime employment (shushing Koyo), seniority system (Renkojoretsuseido) and company-based welfare facilities (kigyo-nai future Kosei) are three main customs that have been developed over the principle of managerial familism (keieikazoku-shugi) in Japanese companies as a result of the deep-rooted corporate philosophy of Japanese-style management (Economics, Business & Management Encyclopedia, 1992; Kodansha International Japanese Encyclopedia, 1990).

This philosophy then makes Japanese companies mainly practice annual employment of new graduates and not offer middle management positions to people from outside its companies based on its lifetime employment & seniority system. However, as shown in a study by Urata & Hara (1995) explaining that is not the case regarding:

- A 1988-1989 survey by the Japanese Ministry of Labor indicates some of the following actual hiring situations: (1) a survey on Japanese company's rate of employees who have experience working for other companies reveals that mid-career hiring is high among Japanese companies, especially in manufacturing, real estate, transport, and communication industries; (2) when examine by company size, Japanese large-sized companies show the high rate of mid-career hiring when compared to small and medium-sized companies.
- A survey on "important points emphasized in the promotion to middle managers" by the Japanese Institute of Personnel Survey in 1990-1991 shows, that the simplistic picture of Japanese companies being seniority-based cannot be applied. A survey indicates that competency-based factors such as "administrative ability" and "contribution to the company" hold the top positions, and the rates of stressing seniority factors, such as "age" are low in present Japanese companies.

Thus from these surveys, we can assume that among Japanese large-sized companies dominantly in manufacturing, real estate, transport, and communication industries rising a need to hire candidates for middle management positions from outside their companies, while utilizing the in-house talent already available by promoting it to middle management positions.

Regarding this assumption, Kazuo (1996) explained that contrary to popular belief of the lifetime employment practice of recent graduates hiring as the primary source of new employees among Japanese companies, he observes that many of the new employees are now from other companies or as categorized by him as "job changers" employee. Based on the Survey of Employment Mobility (Koyo DokoChosa) by the Japan Ministry of Labor, shows that the percentage of recruits from other companies exceeded the percentage of recruits from recent graduates. Even among male workers at large companies, "job changers" outnumber recent graduates and are an overwhelming majority at small and medium-sized companies.

Furthermore, an assumption rise from Urata & Hara's surveys that Japanese company is leaving their seniority system to promote people to a middle management position and become more dependent on the competency or ability of their people. This assumption is supported by Professor Tsuchiya Moriaki & Konomi Yoshinabu's opinion in their book "Shaping the Future of Japanese Management: New Leadership to Overcome the Impending Crisis". According to them, the new hidden assets – the ability of Japanese company employees – must be acquired and developed if Japanese companies want to survive the impending crisis of today.

### B. Middle Manager

Stoner & Freeman (1992) define that middle management as a term that covers a variety of management positions between supervisors (lower management) and top management. The middle management position is a position not belonging to the board of directors, reporting to a managing director or a general manager, and is above the position of first-line supervisors. Small organizations usually do not have any middle managers, but large and medium-sized organizations may have several layers of middle management.

As a consequence, a middle manager will have either a top manager or another middle manager from a higher level – in large or medium-sized organizations, as his superior. He will have one subordinate or more, but not in a large number. His subordinate is always a manager, either another middle manager from a lower level or a supervisor (a manager from a lower management position).

According to Hasegawa (1986) candidates for middle management positions in Japanese companies are from inside their own companies, they are:

- Newly hired graduates of top universities, whom the company hopes will prove their mettle in intracompany competition, and
- The pool of men, occasionally women, who have shown that they are capable of holding a managerial post despite the lack of college education.

In addition, candidates for middle management positions also can be recruited from outside the company such as:

- Mid-career employees (chute saiyoisha). They are usually skilled workers with specialized training who either are scouted by companies 'in need', have quit their former job or have become jobless due to, for example, bankruptcy. Their specialist skill is often highly regarded, but their status in the organization is remarkably lower than that of their colleagues of the same age group as can be seen in General Council of Trade Unions of Japan (Soho) news (White Paper on The 1980 Spring Struggle, 1980). They frequently can improve their position by switching to another company despite their lower status, and
- 'Descent from heaven' employees (amakudari). This is a senior bureaucrat who has retired from central government positions and continued to be hired as a management executive in private industry. The aim is to take advantage of bureaucratic know-how, familiarity with government procedures, and personnel connections.

Azumi (1969) states four ingredients in a successful recruitment and selection policy, they are:

- A clear conception of the kind of work for which candidates are to be chosen, together with the qualities and qualifications needed to carry it out,
- Knowledge of where to look for possible recruits,
- Knowledge of how to look for them, and
- Means of recognizing and assessing the candidates presenting themselves with the qualities and qualifications sought.

This study supported Hasegawa's (1986) view. According to his book, *Japanese Style Management*: "Today, however, the selection and training process is beset with stumbling blocks. The growth in the size of Japanese corporations makes it difficult to evaluate the growing number of candidates for managerial positions. The inevitable tendency is to standardize procedures and make them impersonal. This usually leads to placing stress on seniority and de-emphasizing ability. Once this approach makes headway in a company, there is an erosion of vitality and morale, with a consequent loss in the ability to compete in the marketplace."

Furthermore, he pointed out that misjudgments in middle management promotions can threaten a company's very existence. With the recent slowdown in the economy, the demand for middle managers is on the decline. The situation has given rise to a class of employees dubbed the "window-side tribe", a term that refers to middle-aged workers, who, having failed repeatedly to be promoted to a middle management position, simply remain with the company, sitting in a nice sunny spot by an office window with nothing meaningful to do.

Also according to the author, there is a growing trend among employees of large companies who fear that they may one day join the "window-side tribe" to consider moving while they are still young enough and flexible enough to make the change. Smaller companies welcome such people, especially if they are technicians. Although the phenomenon is still limited for the most part to technicians, there are signs that it will extend to other classes of workers who have specialized professional skills. Should this movement gain momentum the effects on security and lifetime employment, generally considered the most characteristic features of Japanese-style managerial practices, are bound to be devastating.

This restlessness among employees seems to be focused on those who filled middle management positions in large-sized companies. Moriwaki and Yoshinobu (1997) explained that middle manager displeasure over the present conditions in their company due to the bureaucratized nature of their firms are possessed of nothing other than the prestige of being large. Furthermore, large companies in Japan have become so ponderously structured that they are suffocating. Indeed the problem seems to be more complex in large-sized companies and that is where we will concentrate our study in the future.

### C. The System Approach to Management

Management is a new science with a long history. Koontz, O'Donnel, and Weihrich (1986) quoted studies indicating the attention to and recognizing the importance of management in ancient Egypt, China, and Greece.

No doubt, managerial activities were executed in governmental institutions and industrial organizations since their existence. Management as science, however, was founded early at the beginning of the 20th century.

### Why the delay?

Of the several reasons mentioned by various management authors, one seems to be the main reason. In the Middle Age, business was held in low esteem, it was regarded as a degrading occupation (Koontz, O'Donnel, Weihrich, 1986; Kast & Rosenzweig, 1974). These unfavourable climates begin to change in the 19th century. The Protestant ethic and the emerging spirit of capitalism contributed to the growing emphasis on scientific investigation and technological application in Western societies. At the beginning of the 20th century, the climate was favourable for the development of management as a science. After the civil war in the U.S. large-scale industrial development took place. The industrial revolution, with its emphasis on the technology of production, utilization of machinery, and the factory system, required the collective organization of men and resources.

After the work of Taylor and other members of the scientific management school, management became a subject of study to many scholars. After the Great Depression in 1929 and after World War II, management theories developed like mushrooms.

Until present, management theories can generally be divided into five. The scientific management school; the administrative management theory; the human relations movement; the operation research or management science; and the system approach to management.

Because the assessment of management candidates as a management activity cannot be studied in isolation, independent of other management activities within the industrial organization. Thus we believe that a systematic approach is the most appropriate approach to studying this problem, especially in the identification of potential middle managers in TCI.

### D. Identification of the Problem

Although there will always be a risk in recruiting people, the risk in positioning "the right middle managers in the right place" should be kept to a minimum as far as possible. This consideration has to be taken because the decision made by middle managers will have a great impact, either positively or negatively, on the further operations and development of the industrial organizations. Therefore a felt need to look for a better or an alternative to the assessment method of identifying potential middle managers need to be developed.

Thus rise a need to identify potential middle managers by identifying their common personal attributes and leadership capabilities. Managerial effectiveness as an output of management positions needs to be taken into study. Last but not least, developing a better assessment method to identify potential middle managers needs to be studied in the future.

With this framework in mind, we organized the information obtained from a detailed study of Japanese and non-Japanese literature on the subject and a field study in several TCIs. Thus the literature will be studied, and



theories and research results (including the few research results on the same subject) relating to the assessment and identification of potential middle managers will be explored and analyzed:

- to develop comprehensive research projects on the assessment of management candidates in TCI
- to look for possible alternatives to developing an appropriate strategy to identify management candidates with good potential for middle management positions in TCI.

For our study, we choose TCI subsidiaries around Indonesia which can be compared to a Japanese large-sized company. Because as has been shown earlier, in Japanese large-sized companies dominantly in manufacturing, real estate, transport, and communication industries, the identification of potential middle managers could well be better observed. This is not just due to their nature in selecting and recruiting but also to the difficulty of determining the right assessment practices that can be used in the identification of the right potential middle managers.

Surely, the growth in the size of Japanese corporations makes it difficult to evaluate the growing number of candidates for managerial positions (Hasegawa, 1986; Clark, 1987). Therefore, the development of the right assessment of management candidates is more important in large-sized companies than in medium and small-sized companies. Furthermore, Japanese large-sized companies are believed to be more influenced by the financial crisis in Japan today, thus affecting their management practices.

To categorize the size of TCI we used the Japanese law classification category (Paus, 1966). According to Japanese law, medium and small-size company (*chusho-kigyo*) employs not more than 300 persons or are capitalized at 10 million yen or less. By this legal definition, any company surpassing these lines of demarcation could be considered a large-size company (*dai-Kogyo*).

#### IV. ANALYSIS & RESULTS

Employment conditions and welfare facilities are a collective term for that provision which we would rank, for convenience's sake, as secondary labour conditions. Some of these provisions are law provided and apply to all industries, while others are optional and differ per company in scope and content. In this introductory section, we will review a part of Indonesia's social welfare directly about business enterprises, starting with employment conditions.

Aspects of work, belonging to the sphere of employment conditions, such as working hours, recess, holidays, and safety and hygiene measures, are all stipulated in the Labor Standard Law. This Law, the Labor Relations, has been promulgated by the GoI to be enforced in any industry, small and big, including TCI.

The Labor Standards Law stipulates for instance, that working should not exceed eight hours a day, that the employer must provide one rest day per week to the worker, and that the number of working hours can be extended if it has been agreed upon with the labour union or the

representatives of the majority, that the employer should grant six days annual vacation with pay consecutively and extend this number with one day every year after two years of employment, in total not exceeding twenty days.

Based on this legal framework, TCI has designed their employment conditions. Based on the documentation analysis, we observe a substantial disparity between top management, medium-level management, and lower-level management position in TCI in terms of annual workdays, holidays, and leave, and the total number of hours worked. In lower-level management positions, employees work more days than those in top-level management. Overall, they all lack 6 days of paid leave in comparison to their fellow enterprises in other lime mining companies.

Moreover, a 5-day workweek system has not yet been fully established in TCI. In 2021 only 23.26% of the active employees enjoyed two days weekends every week, while the remaining were under schedules of one day off. Active employees are employees that have been selected by the Human Resources Division at TCI as a few employees that have been considered to still work during the Covid-19 pandemic because they have been shot twice or third coronavirus vaccines/booster.

Interesting findings, though, appeared who hold their position in middle- and lower-level management. They are very reluctant to change to the 2 days weekend due to the costs involved and the productivity lost during the Covid-19 pandemic. Improvement of this situation is very slow despite pressure from the labour unions, the Human Resources Division, and the General Board of Directors.

The slow realization of a five day's work week for all employees also can be attributed to the high number of non-scheduled working hours at a time when Covid-19 hits the Indonesian community very hard with the number of dead tools reaching the highest that year (2021) as the health facility could not contain more patients along with the fact that the virus had spread all over Indonesian and the world in general. Nevertheless, when the year 2022 comes, the number of Covid-19 cases suddenly dropped quite significantly after the new vaccine, booster, arrived in Indonesia. This helps the situation become normal again and this era is known as The New Normal for every Indonesian.

#### V. CONCLUSION & FUTURE PLAN OF STUDY

This article is only the first part of our study in TCI and how to strive in a circular economy and the forthcoming Industrial Revolution 5.0. We plan to begin the future study with five management theories that will be discussed shortly in our study. Emphasis will be given to the system approach to management. The system approach views the industrial organization as an open socio-technical system and considers all the primary subsystems and their interactions. It is hoped that it will provide general management knowledge and serve as a general study frame.

Later, the object of our study will be the middle manager and his job. The first part will discuss empirical studies about management jobs or positions, the second part will be devoted to a description of the middle management job using the system approach.

The concept of managerial effectiveness will be discussed, as the difference between efficiency and effectiveness, and the distinction between apparent, personnel and managerial effectiveness. The main factors determining managerial effectiveness will be elaborated. Managerial effectiveness is viewed as the output of a management position. We will focus on the middle management job as a dynamic entity interacting continuously with the other subsystems. It will deal primarily with the output of the middle management job (managerial effectiveness), the criteria, and the measures of output.

Managers should be leaders, but leaders need not be managers (Koontz, O'Donnell, & Wehrich, 1986). Several leadership theories will be explored and analyzed. Are there common personnel attributes possessed by effective leaders in the industry? What are the consequences of the theories and leadership studies on the identification of potential middle managers?

Personnel attributes required for effective management are next. Personnel attributes encompass traits (intellectual, personality, attitudinal traits), knowledge, abilities and skills. Based on a description of a middle management job, a conceptual analysis will be given about the possible personal attributes required for effective management. Results of empirical studies about personal attributes will be discussed.

The objective of management assessment, the assessment tools, the problem of the validity of the tools using the conventional selection model, the assessment centre method, and the role of the assessed or management candidate will be dealt with.

To complete our study we need to study the practice of human resources management in TCI and its influences internally and externally. Are they Japanese-style or Western-style? Toward globalization or localization? What is the impact of TCI on the Indonesian labour force?

Last, we will try to discuss an alternative selection model for TCI. Based on the analysis in the previous chapter, a model for the selection of assessment research will be presented. Apart from this, the possibility of alternative development assessment centres for Japanese companies in Indonesia in particular to identify and develop potential middle managers will be elaborated.

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