LITERATURE REVIEW: OUTSOURCING AND OFFSHORING DEVELOPMENT TO ECONOMIC CONDITIONS IN COVID-19 PANDEMIC

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ABSTRACT

This research is based on the existence of a new trend in business activists, namely offshoring, where the system that is expected to use this new method is able to provide maximum business benefits by reducing costs to a minimum. Outsourcing cannot be separated from business activities as a third party in service, it is hoped that outsourcing can have a full impact on the company in order to minimize losses from less skilled employees. The Indonesian economy during the COVID-19 pandemic has become a new challenge for business activists recently. The method used in this research is (Systematic Literature Review) where the author makes a study in the results of journal articles that have been published domestically and internationally. The results of this review, produce a new reference, namely that outsourcing and offshoring in the economy in the era of the COVID-19 pandemic has a big impact, but it can be overcome by identifying problems, using low costs, as well as implementing effective, efficient and flexible.

Keywords : Outsourcing, Offshoring, Economy, Covid-19 Pandemic, Management

ABSTRAK

Penelitian ini dilatarbelakangi adanya trend baru di kalangan penggiat bisnis yaitu offshoring, dimana sistem yang diharapkan menggunakan metode baru ini mampu memberikan keuntungan bisnis yang maksimal dengan menekan biaya seminimal mungkin. Outsourcing tidak lepas dari kegiatan usaha sebagai pihak ketiga dalam pelayanan, dengan adanya outsourcing diharapkan dapat memberikan dampak yang utuh bagi perusahaan agar dapat meminimalisir kerugian dari karyawan yang kurang terampil. Perekonomian Indonesia di masa pandemi COVID-19 menjadi tantangan baru bagi para penggiat bisnis belakangan ini. Metode yang digunakan dalam penelitian ini adalah (Systematic Literature Review) dimana penulis melakukan kajian terhadap hasil artikel jurnal yang telah dipublikasikan di dalam negeri maupun di luar negeri. Hasil kajian ini, menghasilkan acuan baru yaitu outsourcing dan offshoring dalam perekonomian di era pandemi COVID-19 berdampak besar, namun dapat diatasi dengan mengidentifikasi masalah, menggunakan biaya rendah, serta menerapkan efektif, efisien dan fleksibel.

Kata Kunci : Outsourcing, Offshoring, Ekonomi, Pandemi Covid-19, Manajemen
INTRODUCTION

The use of outsourcing or third-party worker service providers has begun to be familiar to our ears considering that many companies have started to realize the benefits of these service providers. One of the advantages is that the company does not have to bother are teaching new employees or internal company jobs, the flexibility of data is obtained and it is also done quickly effectively and efficiently, this is why many companies are turning to third party service providers. Or what is familiarly heard as Outsourcing. (Siregar, 2010)

Then, after the large number of outsourcing third party services used. In recent years, the term offshoring has begun to be developed, or taking over jobs in other places or countries. Of course, this has an effect in minimizing the use of excess company funds to store their products in certain countries or other things in the supply chain.

Based on the journal article Measuring Offshore Outsourcing and Offshore Problem for Economic Statistics, the growth of the offshoring method was more dominant in exports and imports than non-oil and gas from 2000 to 2007 with more than 70% of developing countries having made import transactions to the United States. Where the Chinese state contributed 39% of the growth in import exports using the offshoring method. (Houseman, 2009). The pandemic caused by a virus called COVID-19 (Corona Virus Disease - 19) in 2020 has been felt to be great for the continuity of human life, both from the health sector where many people have started falling ill to the vital sector in daily activities, especially the sector the economy. Indonesia is one of the countries that has felt a big hit from the impact of this virus outbreak.

Based on the daily news report published by CNBC Indonesia, it is stated that Indonesia has entered a recession stage from the decline in the economic growth rate in the second quarter with a value of -5.32%. Until the Indonesian Minister of Finance Sri Mulyani Indrawati said that the forecast for economic growth in the third quarter is predicted at -1% to -2.9%. (CNBC Indonesia, 2020). This is based on the fact that Indonesia experienced prolonged deflation and / or inflation during the first two quarters of 2020. On the other hand, the high level of deflation was due to the behaviour of the people with the middle and upper clusters who implemented a system of saving money in banks, which was supported by saving money and gold too. This resulted in hampering state finances, because there is no normal cycle of circulation of money to all lines of society in economic business.

The recession in the COVID-19 pandemic has also affected other sectors of the economy in conventional and sharia businesses, this is due to the lack of
interest from investors to provide their additional capital funds to businesses in the pandemic era in 2020. Another fear for investors is the lack of guarantees from the government to protect the assets of companies that are low in business. (Sumarni, 2020)

The worst impact of a recession during this pandemic is that several lines of business or businesses are increasingly sinking, where the business that feels the most impact is the manufacturing business. The large number of employee reductions or layoffs on a mass basis, resulted in the majority of daily casual workers, as well as outsourcing service providers. Become less income in business and personal gain.

The unemployment rate during the pandemic can also be felt for most people, this does not rule out the possibility of narrowing their chances of getting back their jobs, as well as economic demands for workers who are married. During the implementation of Large-Scale Social Restrictions since mid-March 2020, it was recorded that more than 15.6% of workers in Indonesia experienced a reduction in income by around 50% and from 8.6% experienced a reduction in their income of more than 50% of their normal income (Ngadi, 2020)

METHODS

The methods that used on writing this journal article is the SLR or Systematic Literature Review, a method where of searching for various kinds of literature nationally and also from international journals. The author searches for literature sources from the research gate search engine, scopus.com, DPR files, Indonesian Population Journal and several scientific journals from other academics.

The keywords are outsourcing, offshoring, and also the Pandemic Economy. There are more than 61 related international and national journals. From these results, the authors took the segmentation into several parts, namely outsourcing and offshoring as many as 8 journals, and also the Pandemic economy as many as 6 journals. As many as 47 journal articles that the author has compiled, there are some deficiencies or less relevant data from the journal articles the author has made.
RESULTS AND DISCUSSIONS

Based on the results of the articles that the author has collected on the theme of the article outsourcing and offshoring in the economy in this era of the COVID-19 pandemic, the authors take a big part in the more detailed results. The COVID-19 pandemic is a disease caused by a virus which is more commonly known as the coronavirus 2 (Sars-CoV-2) where this virus attacks the respiratory tract of sufferers. Originating in Wuhan, China in December 2019. This virus began to spread to many countries including Indonesia and began to become the criteria for a Pandemic by the WHO (World Health Organization) since mid-March 2020. Indonesia, with the development value of patients categorized as positive for COVID-19, is starting to be in the eyes of the world. This is because Indonesia is a country in Southeast Asia with a fast growth index confirmed by COVID-19. The Indonesian government finally began to enact many regulations that regulate the movements of its people in order to reduce the spike of positive COVID-19 patients.

Starting from the socialization to maintaining distance (physical distancing), washing hands and also wearing masks. There is a bigger step by the government, namely the imposition of PSBB (Large-Scale Social Restrictions) for several weeks at the start of the pandemic attacking the world. This has an impact on the rhythm of all lines of life, on Indonesia’s gross income, the level of Indonesia’s GDP in 2020 has decreased by 4.5% from the previous year 2019. This has happened in 1998 and is towards a stable range of 0.5% until finally happened back in 2020. For children who are still in school status, they are required to do distance learning (PJJ) online (online). While workers certainly feel the same way, they are required to work remotely or more commonly known as (work from home). This of course can change the rhythm of the company and also some workers who cannot work at home, such as day laborers and also field workers who are required to be in the field (Sumarni, 2020).

With the declining level of company income in 2020, not many companies have reduced employees to continue their business sector. Based on data from the Central Statistics Agency, the total workforce as of February 2020 was 131.91 million employees. However, the unemployment rate increased by 60 thousand people. With as much as 8.49% coming from SMK graduates (Vocational High School) (Badan Pusat Statistik, 2020). The existence of third-party service providers or outsourcing in business life is an inseparable part of the current economic sustainability both domestically and abroad. Both the company and as part of freelancers. Since 1997 the growth value for the use of
import outsourcing services for offshoring is around 2.9% and has gradually increased, although slowly at a point of 3.6% in 2004, the parts commonly used include communications, transportation, finance and insurance services. Based on data from the Bureau of Economic Analysis (BEA), it was stated that in 2004 outsourcing services were still too small even though they were part of the professional workforce. The total services purchased in 1997 amounted to 30.8% and increased in 2004 to 33.9%. (Yuskvage, 2009). Then several studies show that 42% of companies that use outsourcing services experience a loss of 10% to 25% in the contract value with the service provider, while 21% experience a loss of more than 25% for the contract value that they have agreed to, the expectation of this, the company is able to evaluate which parts are needed to use services and which are not so that the company’s profits do not fall very far (Ellram, 2006).

A company must be able to manage their strategy in using outsourcing on offshoring. Among other things, identifying long-term strategies within the company, both in terms of cost, quality, flexibility, and meeting deadlines. Considering within the company whether or not outsourcing is adequate or not. Furthermore, companies are required to examine which vendors are giving them a profit at a low cost. Once deemed effective and efficient, the company is deemed capable of starting negotiations with the outsourcing service provider offshoring. The control is needed so that virtually all evaluations can be carried out effectively (Pellicelli, 2017). Companies that are going to place their business in another country are expected to be able to divide their identification into a more serious scope so that there is no big loss. Such companies must develop their business model capability and also see what kind of maturity their company is worthy of being placed in other countries. Looking at the business sector from its business value, if the company has a relatively small business value, it is feared that it will not be able to support it in the current year or the following. Also, companies are able to identify how effectively and efficiently their companies in other countries, if their business model fails, it is likely that it comes from their poor offshoring business identification strategy (Mason, 2008).

For the most part, the analysis of the U.S Worker in America shows that global outsourcing has not had a significant impact, pushing workers with low quality work towards skilled quality workers. But it only adds to the unemployment that is increasing over time with high levels of education. The increase in unemployment from outsourcing in America increased between 2000 and 2004, and most of it came from the educated unemployed from high school graduates (Constantin, 2004). China has started to develop strategic offshoring efforts, where they use the method of sharing sectoral economic
schemes. Then divided into SEZs (Special Economic Zones), ITDAs (Information Technology Industrial Development Areas), HTDAs (High Technology Industrial Development Areas). This is what makes China able to compete in the international world and many companies outside of China eventually put their companies in the country. Since the 1990s the Chinese state has implemented this method, and has been able to increase China's national income by 60%. Large countries such as Japan use ITDAs implementation agreements with a technology transfer system called a joint venture agreement, while American countries that use the technology transfer system method also prefer turn key agreements.

The Chinese government imposes a rule for industrial actors who carry out offshoring in their country called forced transfer technology. The use of this method certainly benefits the country of China where these regulations and policies are based on all industrial players who place their businesses in China, so the Chinese people get the freedom to work in these companies, while reducing unemployment in China, and the people also gain expertise in the form of technology transfer. Hiring an employee certainly requires training so that the workforce is able to work sustainably, by taking advantage of employee recruitment costs, workforce training, and also adaptation for new workers. That is the reason why many companies sometimes use outsourcing personnel to minimize these unwanted costs. (Weaver, 2009)

In several case studies, it shows that the outsourcing sector has now started to approach technology or commonly referred to as part of virtuality with mixed methods, one of the characteristics of this method is that the work place does not have to be in the office, direct field practice, and also involve adequate other resources (Gunasekare, 2019). The integration of outsourcing and offshoring has entered a new era in a line of business, namely how companies are able to mix third-party labor with the use of company-owned general supplies, this is so that companies are able to get an effectiveness in building their business by exploring and also exploitation of the use of existing resources within the company (Kaur, 2018).

In Sweden, the influence of outsourcing and offshoring is an inseparable part, however, the success rate of outsourcing can't be said to be good for less than 30-40 years, the employee rate in Sweden has decreased dramatically. This is due to an increase in productivity and the relocation of production abroad and a very clear decline because industrial companies have outsourced them to other service companies such as work that has been outsourced, including cleaning, receptionist, back office and others (Svensson, 2009). The relationship between outsourcing in the health sector cannot be separated, because some of the world's health workers are currently using an outsourcing system, it's just
that in the health sector it is not easy to accept all outsourced workers because medical personnel have other ethical matters. The steps taken so as not to be shifted by market share include providing quality above the existing quantity. Outsourcing in a medical environment is expected to be able to serve consumers with their quality in a professional manner. (Makie, 2008)

The response in global outsourcing is based on the demand from each country, this is certainly something that is uncertain as considering foreign suppliers, producers, even multiple demand markets. For this reason, important managerial insights are needed on how uncertainty in demand and costs can affect profits, risks, fast production decisions of supply-chains in global outsourcing (Liu, 2011). The progress of outsourcing in India is marked by advances in IT technology, according to a report released by NASSCOM and McKinsey, Indian companies will maintain a market share of 46% in the global BPO market and 65% in IT outsourcing market in 2010, as the combined market is estimated grew 10 times to reach US $ 300 billion, this has happened in 2006 with revenues of US $ 2.33 trillion (Madhani, 2006).

Judiciary in America regarding offshoring certainly affects all countries in the world. The United States provides goods and services procurement agreements since the 1970s to all countries, this makes the United States a major part of the world's main sponsors, with foreign free trade agreements containing agreements that have been contained in the agreement chapter 10 of NAFTA that there is no discrimination in United States government procurement, so that the US can buy all goods and services with ease. However, it is inversely related to the validity of recent laws that ultimately hamper the potential for import of services, as well as federal legality, and other laws governing offshoring currently have to go through the judiciary (Gupta, 2009). In the United States, the problem of wages for workers also found an imbalance between one worker and another, in the 1980s the wages of outsourcing increased by 31% - 51%, increasing according to the demand for companies who wanted their services. However, this also affects workers who have no ability or low skills, they do not get standard wages or even become unemployed in their home countries (Feenstra, 1996). Based on UK statistics, the productivity of employment has grown by 20% in the last 7 years, with the highest growth in IT services and professional services compared to other sectors with reference to the skills of each worker. The productivity of business services providers including; greater standardization of consolidated company businesses, professional expertise compared to outsourcing, and supply chains that offer solutions according to market needs. (Sako, 2006)

In the journal article Rolling Out a "World Car": Globalization, Outsourcing and Modularity on the Auto Industry, explaining the relationship
between outsourcing in a global influence based on the automotive industry, the core part of this article also describes the manufacture of Fiat Palio cars, a well-known car brand. In the world of automation, even at a glance from the business world, it is required to modularize design, production and organization in order to save costs, reduce investment at risk and be able to manage other institutional constraints both domestically and internationally (Camuffo, 2002). Aviation safety is a vital part of a job, a study found that since the 1990s aviation in the United States has exercised strict regulatory oversight. The reason is that this was due to the damage to a Valujet plane in Florida in 1996 and the fall of an Air Midwest commuter in 2003. That is why the United States government in aviation provides special regulations for outsourcing personnel in flight, so that accidents do not occur (Quinlan, 2013).

Research from Nigeria with an approach to culture of influencing outsourcing, the impact of market pressures on outsourcing performance and other contributing factors. This has a big impact on God's will in everyday life, because there is a positive relationship with God, which is why the links from this research in Nigeria are going well (Adekoya, 2018). A journal article researched by Bublu in 2006 explained that the relationship between outsourcing and offshoring is likely to be at the commodity level in a global context, success in this case also focuses on the going concern of the business in determining long-term controls that are closely related to current technology, which then make this focus on partnerships and not just centralized costs (Thakur-Weigold, 2006). There can still be found violations in the application of outsourcing in Indonesia, such as the absence of a contract letter that is in accordance with the severe rights of workers, exceeding working hours that are not as promised by the company, the absence of social security for outsourcing workers, and unilaterally cutting wages, even though it has been regulated in Law No. 13 of 2003 concerning worker security but the need for a legal umbrella for workers is a general obligation for the government (Triyono, 2011).

One must develop a strategy to be sufficiently effective, and prevent a single approach. As for how to study management models, look for the right mix of engineering approaches in a realistic manner. Therefore, it must be understood by managers and general supervisors of an organization (Proenca, 2019). The global impact of outsourcing on supply chains in Sri Lanka shows that not always the outsourcing method has a positive impact on the global supply chain, but it can be seen from the satisfaction of employees who are paid equal to the work they do, the advantages of outsourcing also provide freedom in reducing costs, and also materials standards needed by the company, so there is no build up of company supply (Jayaratne, 2016). The practice of using outsourcing appropriately is as a support in a company, not as a core part of the
company. Also, companies and agency workers are required to both understand what contract clauses they both agree on according to legal protection. Companies and workers are expected to be able to carry out their obligations and rights fairly without dominating them. (Hidayatullah, 2019)

In the corporate theory and strategy approach, Global Outsourcing and offshoring shows a broad perspective on theory and empirical evidence, where everything is proven based on field evidence of the use of this method. The same is true of using cost identification analysis domestically and internationally, in qualitative and quantitative studies (Contractor, 2011). In the country of Zambia, a research result found that an outsourcing in the field of call agents in banking is required to have expertise in reliable communication, mastery of foreign languages, and also the strength in innovation in providing product introduction. So that outsourcing can fully understand domestic and foreign customers (Nkode, 2020).

Richardo’s view in The Principles of Political Economy and Taxation in 1817 put forward the theory of iron law, where this law is guided by a labor quality. The more workers are able to compete in the world of work, the company will keep this person until the end. So that it takes precedence from the quality of workers (SHARMA, 2004). Apart from China and India, parts of ASEAN countries are potential countries in the supply chain analysis, this is based on the geographic location of ASEAN states which is a strategic place to use the offshoring method in the following years in the future (Koubek, 2009).

A new method system in research with the Agile Global Outsourced Software Development technique suggests that this technique is very helpful for developing companies with borderless workplaces in all countries, reducing production costs, where this technique promotes virtual technological access throughout the country. The AGOSD project must be tackled on additional challenges in the areas of control, coordination, technology and the integration of resources with different cultural backgrounds, languages and work attitudes. (IEEE_OrganitationArticle, 2015). The combination of outsourcing and offshoring methods is part of what is known as the best decision model in transparency and control in a manufacturing supply chain business. The combination of the methods studied, such as mixed integer non-linear programming (MINLP) with fuzzy-MCDM, produces qualitative and quantitative criteria, thereby cutting costs to suppliers in market demand (Ishizaka, 2018).

In the results of the study outlined in the Empirical Analysis Of High Maturity Quality Management Practices In A Globally Outsourced Software Development Environment, it shows that software can have a negative impact on remote control, but the effect of spreading software quality can be minimized
with a mature analysis process of failure in management (Ramasubbu, 2004). In the future, planning in medicine, especially medicine, will be continued in India, China is considered more powerful in the field of biology / toxicology. Outsourcing in Pharmacy continues to increase for the next 3-5 years by working with world pharmaceutical organizations, this will certainly help more profitably in the pharmaceutical business competition in the future (Garofolo, 2016). In the market, the health segmentation must be based on economic conditions, political issues, and regulatory policies, which concern costs, hospital accreditation, service quality and other physical training. This will have an impact on quality outsourced medical personnel, and also provide the best service for patients and other non-medical customers in the scope of the hospital. (Smith, 2014)

Expert professionals in certain fields are the most important part of a person’s career life, sometimes many people think about how to get to the highest position in an organization, but some of the others decide to take the path as professional experts in their respective fields with average pay - an average of $50,000 per class they give (Hsu, 2014). Research methods using the approach (Transatlantic Trade and Investment Partnership) and TPP (Trans-Pacific Trade Partnership) produce data that global outsourcing affects innovation and performance of relevant and promising companies. But always the biggest obstacle is the large tariffs and fees from each country for offshoring (Verwaal, 2017).

The number of cases of unilateral removal of outsourcing workers in offshoring, is because the quality of the software used is not in accordance with company expectations, especially in remote development so that it is still a basic problem that has not been resolved. In order to be successful with the offshoring method the company must ensure the dynamic adjustment and optimization of changes (Moe, 2009). Traditional as well as modern cost risks have changed to use IT-based management and also BPO with the theory of "Expected Utility", which is to calculate the risk of exposure as a product of the possible risks and other risk impacts. Risk factors are those that affect the project and business performance of the work done. (Mohanty, 2012). Estimates in the efforts of various stages of the software project life cycle are created but always get problems from every aspect of its users but technology for outsourcing has been developed with a stochastic model by Monte Carlo, it aims to be able to provide convenience for the outsourced workforce to be able struggling better (Dasgupta, 2011)

The rate of economic growth in Indonesia which slows down in 2020, makes workers in Indonesia experience unilateral termination of employment by the company where they work, but in Law Article 28D of 1945 describes the
protection of workers, but only apart from force majeure. Given that the COVID-19 pandemic is part of the force majeure, the government is considered to have closed its eyes on this (Sahetapy, 2020). In addition, with the use of sectoral economic policies, many foreign companies are willing to put their businesses there, because of the low tax costs. In fact, almost 60% of China’s state entry is levies from this sectoral offshoring economic policy (Citizen, 2008). The Indonesian government mechanism in handling the COVID-19 case and also the economic movement, has begun to create new strategies, including by adjusting the budget program that has been made previously, but according to the budget that still prioritizes this pandemic. The next scheme is to overhaul all achievements for the remaining four years starting from 2020-2024. Where the government is leading a budget study shift so that it can be adjusted to the current economic conditions, considering that the government has used a lot of other budgets to minimize the COVID-19 pandemic in the medium and long term (Muhyyidin, 2020).

CONCLUSION
The development of outsourcing and offshoring, both in the world and in Indonesia, is a new way and renewable method that is able to provide efficiency and effectiveness for companies to a wider global market share, without having to think about large costs and taxes. Both in terms of companies and third-party outsourcing service providers. However, in 2020, when the COVID-19 pandemic has penetrated all aspects of life, then everything has started to change little by little, there are many levels of unemployed people who are educated or not, and both from internal companies and from third party outsourcing service providers who are losing their income during this pandemic. The continuity of the offshoring business is starting to see its worst point in 2020, this is because the majority of the majority of users of this offshoring method are in China, and because there has been economic paralysis from a medical point of view, China has finally experienced a major economic shock, which has an impact on the economy. world. Because most of China’s revenue comes from 60% of the use of offshoring.

RECOMMENDATION
Based on the author's observations using the Systematic Literature Review method with the theme of the article on outsourcing and offshoring in the Economy in the Era of the COVID-19 Pandemic. Find suggestions for the scope of researchers and also for the sustainability of the government. The
suggestion that the writer gives to the next researchers is the development of this research in the subject of outsourcing and offshoring in external sector globally, as well as domestically, as well as development with the theme of economy and COVID-19.

Companies that develop third-party outsourcing service providers are expected to be able to see new business sectors and also develop their workforce with the skills and expertise needed in the world of work and also the business world in general in a flexible manner and following the needs of the modern market. Companies that place the offshoring business are expected to be able to identify their business carefully by considering costs, flexibility, effectiveness and efficiency in their business so that unwanted big losses will not occur.

To the government, it is hoped that it will be able to facilitate the business sector of third party service providers (outsourcing) and offshoring so that state revenue can enter the state budget, and also have an impact on the government in the form of state taxes that relieve business activists, so that companies in other countries too will start to look to Indonesia as their best place of business, and in the end increase profits for the country in the income budget and also reduce unemployment in Indonesia

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