THE IMPACT OF EMPLOYEES PERCEPTION OF
OUTSOURCING HUMAN RESOURCE ON JOB
SATISFACTION AND TURNOVER INTENTION

THESIS

N A M E   : RETNO SARI MURTININGSIH
N I M   : 122001114

GRADUATE PROGRAM
UNIVERSITY OF TRISAKTI
J A K A R T A
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A THESIS
SUBMITTED IN PARTIAL FULFILLMENT OF REQUIREMENT TO OBTAIN MASTER'S DEGREE IN MANAGEMENT

BY

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2004

Where there is a will there is a way

If you experience defeat don't desperate but take the experience to
blaze your consciousness for combate

I dedicated this thesis to my beloved
parents, husband and children for their
constant love, support and prayer.

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GRADUATE PROGRAM
TRISAKTI UNIVERSITY

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Jakarta,   April 2004

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ABSTRACT

Sari, Retno, Trisakti University, April 2004, "The Impact of Employees' Perception of Outsourcing Human Resource on Job Satisfaction and Turnover Intention".

Major advisor : Dr. A. Soekijat.

The background of this research was the trend of companies' outsourcing human resource (expertise and specialists) to accomplish tasks more cheaply and efficiently to increase productivity.

The objective of this research was to find out the impact of employees' perception of outsourcing human resource on their job satisfaction and turnover intention. To achieve this objective the quantitative research has been done by using explanatory survey method.

The design of this research applies quantitative approach. The samples for the study consisted of 115 human resource division employees of BNI Bank, MANDIRI Bank, and BRI Bank in Jakarta. The primary data in this research was obtained by using closed ended questionnaires. Non probability sampling method with the convenience sampling technique was employed to select the sample. Data analysis used in this research was Structural Equation Modeling (SEM).

The result of this research concludes that employees' positive perception of outsourcing human resource increases their job satisfaction and decreases their turnover intention whereas negative perception decreases job satisfaction and subsequently increases turnover intention. Based on the result of the research, it is important that a company out-source human resource to increase productivity.

Because of the limitation in this research , it is suggested that the future research use more samples and analyze more variables.

Acknowledgment

I would like to thank God for His Kindness and Help in giving me opportunity and strength mentally and physically to accomplish this thesis. This thesis was submitted to fulfill the partial requirement for Master's Degree in Management, Graduate School of Management, Trisakti University.

In this opportunity, I would like to thank and appreciate to regarded : Prof. Dr. Thoby Mutis, the Chairman and the Director of Graduate School of Management, Trisakti University; Dr. A. Soekijat and Dr. Hasmand Zusi, MSc, members of examining board, who took pleasure in examining, suggesting, and advising for the accomplishment of this thesis. I am also very grateful to all people who have given me help and support to finish this thesis.

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I hope this thesis will give advantage and be useful for development of human resource management. May God bless you.

Jakarta, April 2004

Retno Sari Murtiningsih

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CHAPTER I

INTRODUCTION

Background of The Research.

Dwindling resources and market competitiveness have forced organizations to scrutinize their methods of producing goods and services and make changes in their processes in order to maximize economic returns.

Many problems related to human resources may arise. For example, employees dissatisfaction, little motivation, and intention to quit job. All these problems must be considered so that all people working for the company or organization can accomplish their task well to achieve the company's goals.

To accomplish organization goals, the human resources manager should identify applicants who meet the criteria for the job. As the machine operator performance, a manager should make the final decision as to who is hired. The human resources manager must constantly deal with the many problems related to human resources to help them meet the human resources needs of the entire organization. The function includes personnel, employee relations, or industrial relations.

Outsourcing is one fundamental change made by organization to increase efficiency and often quality. Many companies have outsourced human resource management functions like recruitment, training and benefits administration. Even today they are outsourcing almost every function such as engineering, research, development, and facility maintenance. As mentioned by Kennedy et. al (2002, p.124) :

> Outsourcing is one fundamental change made by organizations to streamline business processes and bolster organizations competitive positions. It is essentially the transfer of services or functions previously performed within the organization to a provider outside the organization,.

Presumably, organizations benefit from this transfer because they can save money and refocus their resources on the organization's core competencies. Cost savings result because specialists can accomplish tasks more cheaply than organizational members accomplish the same tasks.

Cost reduction is commonly perceived as the primary driver for outsourcing. Taking advantage of expertise not available in–house was also a popular reason and often both to reduce costs and improve efficiency (Johnson; 2000, p. 23).

Though cost reduction remains the primary reason for outsourcing, increasing importance is being placed on improved service, access to expertise, the ability to focus management time on core processes and greater flexibility.

The success of a company will much depend on the people organizing the company and the workers working for the company. They must work together efficiently and effectively to achieve the company's objectives. In that case, job satisfaction has become one important factor as satisfied workers will contribute more efforts toward the company effectiveness in increasing their productivity. Conversely, unsatisfied workers will contribute less efforts as they are not motivated to work hard for the good of the company, as quoted from Robin (1996, p.142) :

> *Job satisfaction refers to an individual general attitude toward his or her job. A person with a high level of job satisfaction holds positives attitude toward the job, while a person who is dissatisfied with his or her holds negative attitude toward the job.*

Employees may express their dissatisfaction in many ways. For example, they may only complain, or work with little motivation, and even they may decide to quit the job. Their intention to quit must increase when their needs are not satisfied they won't be motivated to work any longer.

In that case, employees turnover will become one effect as the result of unsatisfaction. Werther and Davis (1996, p. 500) define' turnover' as: *"Turnover is the loss of employees by an organization. It represents employees who depart for a variety of reasons"*. Results of the research done by Kennedy, et. al in 2002 indicated that reduced job satisfaction correlated to an increased desire to leave the organization.

Davis (1996: 500) defined Job satisfaction as: *"Job satisfaction is the favorableness or unfavorable ness with which employees view their work."*

Job satisfaction has important role in the creation of productivity. It also determines the employees' turnover.

As mentioned by Kennedy et. al (2002, p.124) :

> *Outsourcing is one fundamental change made by organizations to streamline business processes and bolster organizations competitive positions. It is essentially the transfer of services or functions previously performed within the organization to a provider outside the organization,.*

Presumably, organizations benefit from this transfer because they can save money and refocus their resources on the organization's core competencies. Cost savings result because specialists can accomplish tasks more cheaply than organizational members accomplish the same tasks.

Identification of Research Problem.

Workers are important factor that determines the success of a company. There must be a good relationship among them so that they can work together efficiently to attain the company's objectives.

Workers are also individuals who are unique and have each difference that make them different one into another. They may have different perception of their work place or the company's efforts to motivate them in working.

Although they are different, they keep being supposed to have the same goal in working which is maximizing their potential ability and productivity to achieve the best result for the good of the company.

In this research, the worker's perception of outsourcing will be examined to find out the influence of outsourcing on their job satisfaction and their turnover intention.

It is hoped that positive perception of outsourcing will increase their job satisfaction and subsequently decrease their intention or desire to leave the organization.

Based on the research background, the research problems can be identified as: 1) Whether outsourcing increases productivity of workers; 2) Whether outsourcing increases the company efficiency; 3) Whether outsourcing increases the worker motivation; 4) Whether outsourcing increases job satisfaction; 5) Whether job satisfaction increases turnover intention; 6) Whether outsourcing positively influence job satisfaction, 7) Whether job satisfaction negatively influence turnover intention.

Delimitation of Research Problem

The scope of this research is only the influence of outsourcing on job satisfaction and turnover intention of workers employed at banking companies.

In this research, how the workers view the outsourcing practices in their company will be observed to find out the influence of outsourcing on their job satisfaction and subsequent their turnover intention. Thus, the research problem in this research are limited only on: 1) Whether outsourcing positively influence job satisfaction; 2) Whether job satisfaction negatively influence turnover intention.

Research Question

Based on the above explanation, the research questions are set as follows: 1) Does outsourcing positively influence job satisfaction of worker?; 2) Does job satisfaction negatively influence turnover intention of worker?

Research Aim and Objectives

As already discussed in the background of the research, the research is aimed to find out: 1) Whether outsourcing positively influences job satisfaction; 2) Whether job satisfaction negatively influences turnover intention.

And the Objectives of the research are: 1) to develop the practice of outsourcing in companies so that this activity can improve more benefits for companies; 2) to motivate employees to work more efficiently and effectively; 3) to decrease their intention to quit the job.

Its is hoped that the results of the research will be useful for the decision makers in management.

Limitations of the Research

The researcher feels that there are limitations in doing the research that include: 1) The research was only done in three banks, so the results cannot be generalized for other banks in Jakarta; 2) The research was only done in the banks, so the result of the research doesn't represent other institutions beside banks; 3) The number of sample used cannot represent all the employees working in banks; 4) The limitation of time for doing the research.

CHAPTER II

LITERATURE REVIEW

Theoretical Framework.

Outsourcing

Outsourcing is one fundamental change made by private sector organizations to streamline human resource processes and bolster organizations competitive positions. *"It is essentially the transfer of services or functions previously performed within the organization to a provider outside the organization"*, Kennedy, et. al (2002, p.124).

Another opinion about outsourcing comes from Wheelen and Hunger (2000, p.161) who stated that *"outsourcing is purchasing from someone else a product or source that had been previously provided internally ."*

Outsourcing is becoming an increasingly important part of strategic decision making and an important way to increase efficiency and often quality.

He also remarked that outsourcing is a cooperative contractual relationships with suppliers and even with competitors. In this relationship, resources are purchased from outsiders through long-term contracts instead of being made in house. While Scott lever (2000, p.38) said that outsourcing means replacement that implies replacing business activities

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traditionally performed internally and eliminating the units that previously provided the services and either reassigning or releasing employees.

Outsourcing is an exact tool for organizational design, not simply a contract for acquiring goods and services. Many companies have outsourced humans resource management functions like recruitment, training, and benefits administrations. Other functions such as engineering, research, development, and facility maintenance operations are also being outsourced by many organizations.

" The key to outsourcing is to purchase from outside only those activities that are not key to the company's distinctive competencies," as quoted from Wheelen (2000, p.162). Otherwise, the company may give up the very capabilities that made it successful in the first place thus putting itself on the road to eventual decline.

A firm should consider outsourcing any activity or function that has low potential for competitive advantage. If that activity contributes only a small part of the total value of the firm's products or services, it should be purchased on the open market (assuming that quality providers of the activity are plentiful). Conversely, if it contributes highly to the company's products or services, the firm should purchase it through long-term contracts with trusted suppliers or distributors.

Outsourcing, or contracting with a vendor to perform HRM activity previously performed by a firm is growing in popularity. The market for outsourced services including HRM activities has increased. Many organizations has outsourced some HRM activities. The driver of increased outsourcing include downsizing, rapid grows or decline of business, globalization, increased competition, and restructuring. The aim of this activity is to improve the financial and operating performance of firms. As quoted from Ivancevich (2001, p.14) :

> *Outsourcing some HRM activities is a competitive advantage that can reduce cost, improve flexibility, and permit the hiring of specialized expertise. It is likely to continue as decision makers search for ways to improve the financial and operating performance of firm.*

Lever (2000, p. 39) remarked that : *" firms are seeking cost savings when they outsource. In fact, cost savings are a powerful motivator."* While Quinn and Hilmer (1994, p. 43) said : *" The basic purposes of outsourcing are first, to keep from adding personnel, and to reduce personnel by hiring experts in a particular area. Second, to reduce business risks and third, to build core competencies,"*

That organizations should strategically outsource to build core competencies is an argument which considers building skills and competencies as the primary reason to outsource.

According to chain store age (2002, p. 23), outsourcing is beneficial in the form of reduced costs, greater work quality – and improved efficiency. It

was stated that improved efficiency was the main purpose of their decision to outsource.

It is sometimes cheaper to outsource certain functions and activities to outside specialists, who by virtue of their expertise and can perform the activity or functions more cheaply, as quoted from Irwin (1996, p. 121)

What are the advantages of outsourcing ? Quoting Thomson and Stickland (2001, p. 184) : the advantages are: a) Obtaining higher quality and/or cheaper components or services than internal sources can provide; b) Improving the company's ability to innovate by interacting and allying with 'best-in-world' suppliers who have considerable intellectual department & innovative capabilities of their own; c) Enhancing the firm's strategic flexibility; d) Increasing the firm's ability to assemble diverse kinds of expertise speed and efficiency; e) Allowing the firm to concentrate its resources on performing those activities internally that it can perform better than outsiders and or that it needs to have direction under its own strategic control.

By outsourcing, organizations can save money and refocus their resources on the organization's core competencies. Cost savings result because specialists that benefit from economics of scale can accomplish tasks more efficiently. Simultaneously, as functions are outsourced, leaders

relieve their employees of mundane, repetitive, and basic tasks, allowing employees to focus their efforts solely on the core, value-adding activities needed for the organization to maintain its competitive advantage.

Many aspects of the services provided by the human resource functions are clerical, and these can be handed over to suppliers who are better equipped through better technology or economics of scale to administer them. Many human resources services fall into their category, such as medical care, and workers compensations insurance.

Other services, though not clerical, are better left to specialists, such as recruiting, training, outplacement, and relocation. However some tasks are highly unsuitable for outsourcing, such as an in-dept knowledge of the company and its employees.

One argument in favor of outsourcing the human resource function is that this is not a strategic area for any company. Though it is important to treat employees as well as possible, this is not an area in which a company should expect a large amount of its management resources. For that reason, as much of the function as possible should be handed over to a set of suppliers who can manage various tasks just as well as an in house staff if not better.

Monday, et. al (1999, p.11) defined outsourcing as : " *The process ef transferring responsibility for an area of services and its objectives to an external provider.*" It is stated that the main reason for this movement was

to reduce transaction time. Other benefits include cost reductions and quality improvements. Companies found that administrative, repetitive tasks are often performed in a more cost effective manner by external sources.

As stated by Balkin, et. al (1995, p. 82) that " *Outsourcing is subcontracting some work to an outside company that specializes in an more efficient at doing that particular type of work.*"

Gomez et. al (2001, p. 76) stated :" *Outsourcing is the process by which employees transfer routine or peripheral work to another or organization that specializes in that work and can perform it more efficiently,*"

Employees that outsource some of their non essential work gain improved quality and cost savings. Outsourcing agreement may result in a long term relationship between employer and the subcontractor, though it is the employer who has the flexibility to renew or end the relationship at its convenience. Good relationship should be maintained.

Many professionals with specialized skills become contract workers who are likely to be self employed, supply their own tools and determine their hours of employment. Hospital use contract workers as emergency room physicians. University use them as adjunct professors to teach basic courses, and companies use contract workers for many of their HR jobs.

Because of having more skills, as specialists, they can work more efficiently than in house employees. They are not involved with company bureaucracy and meeting. Quoting Gomez – Mejia, et. al (2001, p. 77) :

> Contract workers can often be more productive and efficient than in house employees because freelancers 'time is usually not taken up with the inevitable company bureaucracy and meetings. They can also give companies a fresh outsider's perspective.

Another opinion of outsourcing comes from Dessler (2005, p.20) who said:

"Outsourcing is letting outside vendors provide services."

Job Satisfaction

Job satisfaction according to Robbins (1993, p. 47) is " a general attitude toward one's job : the differences between the amount of rewards workers receive and the amount they believe they should receive." While job satisfaction according to Davis (1996, p. 500) is " the favorableness or un favorableness with which employees view their work," and according to Davis (1997, p. 256) job satisfaction refers to " a set of favorable or unfavorable feelings and emotions with which employees view their job." As with motivation, job satisfaction is affected by the environment. The job itself affects satisfaction through its design. Jobs that are rich in behavioral elements such as autonomy, variety, tasks identity, task insignificance, and feedback contribute to an employee's satisfaction. Mentally challenging work, equitable rewards, supportive working conditions and

supporting colleagues are important factors conducive to job satisfaction. In short, each element of the environmental system can add to or detract from job satisfaction. As quoted from Robin (1996, p. 142) job satisfaction means :

> *Individual's general attitude toward his or her job. A person with a high level of job satisfaction holds positive attitude toward the job, while a person who is dissatisfied with his or her job holds negative attitude about the job.*

Turnover Intention

Turnover intention refers' to the desire of employees to leave the organization for a variety of reasons. Empirical studies have shown that : " *Dissatisfied workers are more likely to leave on organization than their satisfied colleagues,*" as quoted by Kennedy, at. al (2002, p. 25). Another opinion about turnover intention comes from Meyer (1993, p. 262) : " *Turnover intention was conceived to be a conscious and deliberate willfulness to leave the organization.*" Turnover was also understood to be the termination of an individual's employment with a given company.

The relation between job satisfaction and voluntary employee turnover has been heavily researched. Carsten (1987, p. 374) remarked that there is a moderate correlations between job satisfaction and turnover; that is, dissatisfied employees are more likely to quit their jobs than are their satisfied colleagues.

Perception

"Perception is individual's view of reality, and the key to understand perception is recognizing that each situation is interpreted by individual who are witnesses to it", as quoted by Hodgetts (1985, p. 304-305).

Furthermore he said that perception acquires a certain process before someone is able to interpret a situation. That process consists of : (a). external environment : external environment which is got by individual; (b). confrontation of stimuli = when individual faces the stimuli; (c). registration of stimuli = when individual records the stimuli; (d). interpretation of stimuli = when individual interpret the stimuli; (e). behavior as a result = behavior that is performed as an outcome of stimuli; and (f). consequences of behavior : consequences that emerge as an result of the behavior.

Another opinion of perception comes from Robbins (1996, p.132-134) who remarked that : *"Perception is a process by which individual organize and interpret their sensory impression in order to give meaning to their environment"*.

According to Robbins, three factors influence individual's perception : (a) The Perceiver : the one who looks at the target he will interpret which depends on his attitude, unsatisfied needs or motives, interest, past experience and expectation; (b) The target: things that the perceiver will interpret; and (c) The situation : the context n which the process of perceiving occur. In conclusion, human beings have different perception

that is influenced by three factors : the perceiver, the target and the situation.

Higgins (1994,p.624) Stated that perception is: " *The process of organizing and interpreting incoming sensory information in order to define ourselves and our surrounding*".

Meanwhile J. Aldag and Stearn (1987,p.79-83) mentioned two descriptions of perception, they are :

> *(a). Perception is the unique world of mankind which is different of one another and helps determine how we behave and (b). Perception is the complex process by which we select, organize and interpret sensory stimulate into meaningful and coherence picture of the world."*

Study of Relevant Research.

A relevant research has been done by James F. Kennedy, et. al (2002) to find out the influence of outsourcing on job satisfaction and turnover intention. The research was also done to explore the participants' reactions to the outsourcing strategy. By testing a path model, results indicates that the technical managers negative view of outsourcing reduced their job satisfaction and Subsequently correlated to an increased desire to leave the organization.

A study on outsourcing has also been done by Andersen Consulting in 1993. The result of the study was the conclusion that "the primary current

motivation for considering – account for 70 percents of respondent main reasoning" as quoted by Johnson (2000, p. 24-25).

Logical Framework.

Motivating employees is one of managers' tasks to create motivated workers in order to will have better performance to attain the company's objectives, as quoted from Dowling and Arden (1993, p.124). They said that *worker performance is closely related to motivation; thus keeping employees motivated is an essential component of good management.* In that case managers.

Many human resources management functions have been outsourced by many companies. They include recruitment, training, and benefits administration. The companies also outsourced almost every function such as engineering, research, development and facility maintenance operations.

One of the aims of company's outsourcing human resources function is relieving employees of mundane, repetitive, and basic tasks and allowing them to focus their efforts on the core, value adding activities needed for the organization to maintain its competitive advantage. Thus outsourcing is one fundamental change made by the organizations to streamline human resources processes and bolster organizations competitive positions. Those efforts are also aimed to motivate employees to work effectively as

they must show their ability to the people (specialists) outsourced by their organization. So it becomes a challenge for them in working.

Job satisfaction becomes important factor that motivates employees to contribute their effort for the success of the organization. Many factors effect employees job satisfaction, such as having more responsibility, challenging jobs, and more tasks given.

The management must always try to satisfy the employees needs so that they will be motivated to work hard. In that case, job satisfaction is an important thing because dissatisfaction may cause unexpected results as quoted from Robin (1996, p.156-157) :

> *Employee dissatisfaction can be expressed in numbers of ways, for example rather than quit, employee can complain, be unsubordinated, steal organizational property or shirk a part of their work responsibility.*

Intend to quit or exit is defined by Robin (1996, p.156-157) as : " *Behavior directed toward leaving the organization, including looking for a new position as well as resigning.*"

"*Motivating employees is one of managers' tasks to create motivated workers in order to have better performance to attain the company's objectives,*" as quoted from Dowling and Arden (1993, p.124). They said that : "*Worker performance is closely related to motivation; thus keeping employees motivated is an essential component of good management*". In

that case managers must be aware of their needs and satisfy their needs in order to motivate them to work efficiently and effectively.

Based on the above information, it is expected that outsourcing will increase job satisfaction and subsequently decrease intention to quit.

Logical Framework

Outsourcing	$\longrightarrow$	Job Satisfaction	$\longrightarrow$	Turnover Intention
H_{a1}			H_{a2}	
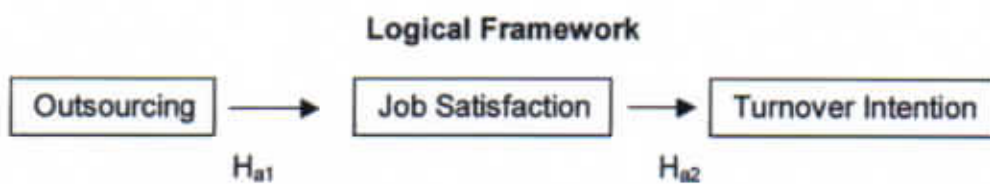
HYPOTHESIS

Hypothesis used in the thesis are:

$H_o 1$: Outsourcing doesn't positively influence job satisfaction.

$H_a 1$: Outsourcing positively influences job satisfaction.

$H_o 2$: Job satisfaction doesn't negatively influence turnover intention.

$H_a 2$: Job satisfaction negatively influence turnover intention

CHAPTER III

METHODOLOGY

Variables and Operational Definitions

This research is based on the previous research done by Kennedy, et. al (2002). This research will reveal the impact of employees' perception of outsourcing on their job satisfaction and turnover intention.

The variables in this research consist of exogenous (cause) variable and endogenous (result) variable. The exogenous variable is formed by one latent variable (outsourcing) with nine indicator variables. While the endogenous variable is formed by two latent variables (job satisfaction and turnover intention) with fourteen indicator variables. Indicator variables are variables that can be observed directly (Hair & Anderson, 1998, p. 581). So, the indicator variables are items of statement being asked to the respondents in order to form the latent variables. The items of statement are gained from the journal written by Kennedy et.al (2002). A 23 item questionnaire was used to assess perceptions of outsourcing, job satisfaction, and turnover intention. Based on the previous research done by Kennedy, et. al (2002), the respondents responded to each item of the questionnaire by expressing their level of agreement on a five point scale that ranged from 1 (strongly disagree) to 5 (strongly agree). The following are items used to measure all the above variables

Exogenous Variable.

Exogenous variable is a variable that acts only as a predictor or the cause for other variables in the model. In path diagrams, the exogenous variables have only causal arrows leading out of them and are not predicted by any other variables in the model.

The exogenous variable in this research is formed by one latent variable that is outsourcing with nine indicator variables.

Outsourcing.

Outsourcing is measured by nine survey items to measure the respondents ' perception of outsourcing. These items are :

1. Outsourcing will negatively influence my motivation.
2. As outsourcing becomes widely implemented, I feel that my career will be negatively impacted.
3. Outsourcing will negatively influence my role as employee.
4. Outsourcing discourage me to work.
5. After outsourcing has been implemented, I feel that my future promotion opportunities will be negatively influenced.

Then the respondents are asked to respond to the items by using five Likert scale in which the number 1 refers to strongly agree; 2 refers to agree; 3 refers to neutral; 4 refers to disagree; and 5 refers to strongly disagree.

Because of negative wording, those five survey items were reverse – scored prior to the analysis that more positive responses indicated that outsourcing would provide a satisfying work situation.

The other four survey items are :

6. After outsourcing has been implemented, I feel my job will be rewarding.

7. I feel that I can do better than others.

8. I feel that my job will hold responsibility commensurate with my time in service after outsourcing has been implemented.

9. After outsourcing has been implemented, I feel my job will be challenging.

The respondents were asked to respond to those items by expressing their level of agreement on a five – point-scale (Likert Scale) that ranges from 1 (strongly disagree) to 5 (strongly agree).

Endogenous Variables.

Endogenous variable is a dependent variable or outcome variable in at least one causal relationship in a path diagram. There are one or more arrows leading into the endogenous variable.

The endogenous variables in this research are formed by two latent variables that are job satisfaction with nine indicator variables and turnover intention with five indicator variables.

Job Satisfaction

Job satisfaction is measured by the following nine survey items :

1. I am satisfied that I work in different situation.

2. I am satisfied that the work I do is important.

3. I am satisfied that my current job is challenging.

4. I am satisfied that my current job is rewarding.

5. My current job holds responsibility commensurate with my time in service.

6. My current job is preparing me for future positions of greater responsibility.

7. I am satisfied that I can focus more on my job.

8. I am satisfied that I have the aptitude for doing the job.

9. I am satisfied that I like the personality of the job.

   The five Likert scale is also used to indicate the response of the respondents in which the number 1 refers to strongly disagree; 2 refers to disagree; 3 refers to neutral; 4 refers to agree; and 5 refers to strongly agree.

Turnover Intention.

Turnover intention is measured by using the following five items of statement:

1. I plan to remain in the service until retirement .

2. I will probably look for a job in the next year.

3. I won't work with maximum effort.

4. I feel I work under pressure.

5. I will be absent from work.

The respondents respond to those items and express their level of agreement on a five-point scale that ranges from 1 (strongly disagree) to 5 (strongly agree).

Table 3.1
Variable, Subvariable & Indicator of Research

Variable	Sub Variable	Indicator	Question Item
I. Outsourcing	Motivation	The influence on motivation	1
	Career	The influence on career	2
	Role	The influence on role	3
	Work performance	The influence on work performance	4
	Future promotion	The influence on future promotion	5
	Reward	The influence on reward	6
	Ability	The influence on ability	7
	Job Responsibility	The influence on job responsibility	8
	Job Challenge	The influence on job challenge	9
II. Job satisfaction	Different Working Situation	Having Working in different situation	1
	Importance of work	Having important work	2
	Challenging Job	Having challenging job	3
	Job Reward	Getting reward for the job	4
	Job Responsibility	Getting responsibility	5
	Future Job Position	Preparing for future position	6
	Job Attention	The ability to focus more on the job	7

Variable	Sub Variable	Indicator	Question Item
	Working Aptitude	Having aptitude	8
	Job personality	Having suitable job	9
III. Turnover intention	Self Commitment	Working until retirement	1
	Intention to quit	Looking for other job	2
	Efforts	Unwilling to give efforts	3
	Stressful work	Working under pressure	4
	Absence	Being absent from work	5

Operational Definitions of Variable

1. Perception of Outsourcing is the respondents' opinions about the practice of outsourcing human resource in their company. The questions are measured by using 5 point Likert scale and stressed on the influence of outsourcing on their motivation, career, role, work performance, promotion, reward, ability, job responsibility and job challenge.

2. Job Satisfaction is what respondents' feel about their job and how they view their job. The questions are measured by using 5 point likert scale and stressed on their current conditions including working situation, importance of work, challenging job, job reward, job responsibility, future job position, job attention, working attitude and job personality.

3. Turnover Intention is the intention of respondents to quit job. The questions are also measured by using 5 point Likert scale and stressed on self commitment to work until retirement, intention to quit job, efforts, views on job and the will to be frequently absent.

Research Design

The research uses a kind of method called 'Explanatory Survey Method' that is a kind of survey research method that aims for testing the hypothesis by using quantitative approach.

The meaning of the survey method is limited to the understanding of sample survey, in which information is gathered from half of the population. The design used is causal study design to reveal the phenomenon from the influence of perception of outsourcing human resource function on job satisfaction and turnover intention according to the hypothesis on conceptual framework.

Population and Sample.

The operation of the research will not be separated from the object will be observed, as from the result of the research, we will get variables that become the problem in the research and then we get the solution that will be useful for the success of the research.

Population.

Population is the area of generalization consisting of object or subject that has quality and certain characteristic determined by the researcher to be studied to get the conclusion. The population in this research is the employees of banks in Jakarta.

Sample.

Sample is part of the population being researched. In this research the survey is done by taking employees of human resource division of three central government banks (BNI, MANDIRI, and BRI) located in Jakarta. Then sample is selected by using *non probability sampling* method with the *convenience sampling* technique, the way of taking sample based on the easiness. (Hermawan; 2003, p. 55)

Bentler (1993) suggested the minimum sample for research by using *Structural equation modeling* and *Path analysis* is 1:5 (one to five) between the number of items of statement in questionnaire and the number of respondent. According to this the minimum number of sample is:

n = the number of items of statement x 5

= 23 x 5

= 115

As the result, the number of sample in this research is 115 respondents.

Instrumentation.

Data Collecting Technique and Tools.

Questionnaire is used as a tool of collecting the primary data in this research. This is a form consisting of a list of items (statements) to be responded by the respondents. The questionnaire given to the respondents is a closed ended questionnaire that means the answers are available and the respondent will just choose one of the answers that reflects his work condition or environment. The items in the questionnaire are about the perception of outsourcing human resource function, job satisfaction and turnover intention. The number of questionnaire being distributed is 150. All the questionnaires are collected with complete data. So this amount has complied with the assumption of the minimum amount of sample, which are 115 respondents.

The instrument for collecting data is based on the instrument used in previous research done by Kennedy, et. al (2002). This research has only three variables (perception of outsourcing, job satisfaction and turnover intention), while the previous research had five variables (time in service, pay satisfaction, perception of outsourcing, job satisfaction and turnover intention)

The Validity and Reliability Test.

In order to get valid & reliable result of the research, there are validity and reliability test of the instrument that will be used as a tool for collecting data to examine whether it is valid and reliable.

The Validity Test.

Validity shows the extend of which a measurement tool can measure the certain characteristic that will be measured. If the researcher wants to use questionnaire in collecting research data, the arranged questionnaire must be able to measure the obtained data that will be measured. The validity test is done by using the *Spearman Correlation* in which the measurement scale used is ordinal.

The validity test criteria of a certain measurement toll is said to be invalid if the coefficient value of Spearman Correlation is less than or equals to 0,03 ($r_s \leq 0.30$) (Cronbach; 1970, p. 429). This mean rejecting Ho if the Spearman correlation coefficient is less than or equals to 0.30.

One way of measuring the validity of measurement tool is using item discrimination which is an appropriate method to be used for each type of measurement tool. The item discrimination in this research is done by using *"total item correlation"* that is the consistency between item score and the overall score that can be seen from the coefficient of the correlation.

This validity test is done by trying out the questioner toward 30 respondents. The computation the validity test is supported by the SPSS 10.55. software and the result of the test is shown in Table 3.2.

Table 3.2
Validity Test

Variable	Spearman's Correlation Coefficient	Test Criteria
Perception of Outsourcing		
Out2	0.814	Valid
Out3	0.830	Valid
Out5	0.846	Valid
Out6	0.845	Valid
Out8	0.481	Valid
Out9	0.807	Valid
Job Satisfaction		
Job2	0.710	Valid
Job3	0.807	Valid
Job4	0.796	Valid
Job5	0.775	Valid
Job6	0.852	Valid
Job8	0.772	Valid
Turnover Intention		
Turn1	0.824	Valid
Turn2	0.854	Valid
Turn3	0.814	Valid
Turn5	0.860	Valid

Based on the test criteria of the validity coefficient, it is known that only 16 items are valid. Next all those valid items will be used for the analysis of the data.

Reliability Test.

Reliability is the level confidence of a measurement tool result. The measurement with high reliability is able to give reliable measurement result.

Reliability is one main character of good instrument for measurement data. The level of reliability is shown empirically by coefficient of reliability. Theoretically, the coefficient of the reliability is about 0,00 – 1,00. However, it is a fact that 1,00 coefficient reliability is never obtained in measurement, since the human being as the subject of physiologic measurement is the source of potential error.

The coefficient of reliability can be positive (+) or negative (-). But the reliability coefficient that is below zero (0,00) will be meaningless, as reliability interpretation always refers to positive coefficient reliability.

As the ordinal scale is used, the Cronbach's Alpha coefficient reliability must be utilized in the measurement. As quoted from Hermawan (2002, p. 42). " a construct is considered reliable if its coefficient alpha equals or more than 0,70.

The table 3.3 show the result of Cronbach's Alpha Reliability from 30 respondents by using the 10.0.5. SPSS.

Table. 3.3
Cronbach's Alpha Reliability Test

Variable	Cronbach's Alpha Reliability	Test Criteria
Perception of Outsourcing	0.923	Reliable
Job Satisfaction	0.969	Reliable
Turnover Intention	0.963	Reliable

The coefficient of the Cronbach's Alpha Reliability from all research variables is more than 0,70. This indicates that the measurement tool for the research is reliable to measure the research variables.

Data Collection, Processing and Analysis

Data Collection

Data is collected by using questionnaire, a list of questions or statements to be responded by the respondents to get the required information for the data. The amounts of the questionnaire given to the respondents are all 150 and the amount of the questionnaire that can be collected are also 150. This amount has fulfilled the minimum amount of sample, 115 respondents.

Data Processing

Data processing is done after data has been collected. Data processing involves two steps : preparation and tabulation.

The preparation for processing data is selecting data that fulfills the requirement as the qualified data. The second step, tabulation, refers to coding or scoring the items of statements that are the response from the respondents.

Data Analysis

The method used for analyzing data is Structural Equation Modeling (SEM) and for the computation, the software LISREL 8.30 is used (Jőreskog and Dag Sorborn, 1999). Before doing the analysis of Structural Equation Modeling, we do the Confirmatory Factor Analysis, that is the use of a multivariate technique to test (confirm) a pre specified relationship (Hair, et. al, 1998, p. 579).

The researcher is expected to test the Goodness of fit by using some fit indexes to measure the correctness of the proposed model. Table 3.4 show some Goodness of fit indexes with the cut-off value to be used in measuring whether a model can be accepted or rejected.

Table 3.4
Goodness of fit

Goodness of Fit Measure	Level of Acceptable Fit
Absolute Fit Measure	
Goodness-of-Fit Index (GFI)	Higher Values indicate better fit, no established thresholds
Root Mean Square Error of Approximation (RMSEA)	Average difference per degree of freedom expected to occur in the population, not the sample Acceptable value under 0.08
Incremental Fit Measures	
Normed Fix Index (NFI)	Recommended level 0.90
Adjusted Goodness-of-Fit (AGFI)	Recommended level 0.90
Parsimonious Fit Measure	
Comparative Fit Index (CFI)	Recommended level 0.90

The result of measurement by using LISREL 8.30 (Karl Joreskog and Sorbom, 1999).

Table 3.5
Comparison of Goodness-of-Fit Measures

Goodness of Fit Measure	Calculation of Measure	Acceptability
Absolute Fit Measure		
Goodness-of-Fit Index (GFI)	0.87	Good Fit
Root Mean Square Error of Approximation (RMSEA)	0.041	Good Fit
Incremental Fit Measures		
Normed Fix Index (NFI)	0.94	Good Fit
Parsimonious Fit Measure		
Comparative Fit Index (CFI)	0.99	Good Fit

After setting up theories model and describing in the path diagram, the model is specified into two parts Structural Equation Modeling that consists of measurement model and structural model.

Structural Equation Modeling.

"Structural Equation Modeling is Multivariate technique combining aspects of multiple regression (examining dependence relationship) and factor analysis (representing unmeasured concepts – factors – with multiple variables) to estimate a series of interrelated dependence relationship simultaneously" (Hair, at. al, 1998, p. 583).

This research variable has been done and identified based on the theory of justification into a path diagram. The structural equation model that is based on path diagram is shown at table 3.6.

Table 3.6
Structural Model Equations for the Path Diagram

Endogenous Construct		Construct		Error
η_1	=	$y_{12}\xi_2 + y_{12}\xi_2$	+	ξ_1
η_2	=	$y_{11}\xi_1 + \beta_{21}\eta_1$	+	ξ_2

ξ *(Ksi) = Exogenous construct,* η *(eta) = Endogenous construct,* y *(Gamma) = Relationships of exogenous to endogenous constructs,* β *(Beta) = Relationships of endogenous to endogenous constructs,* ξ *(Zeta) = Error for structural model*

Hypothesis

The hypothesis that are based on the structural model are shown at table 3.7.

Table 3.7
Hypothesis for the Path Diagram

Hypothesis	Relationship	Path Coefficients
H_1	Perception of outsourcing (ξ_1) → Job satisfaction (η_1)	y_{11}
H_2	Job satisfaction (η_1) → Turnover intent (η_2)	β_{21}

The test criteria is done by comparing T-value to to T-table. The positive test criterion is refusing Ho if T-value > T-table.
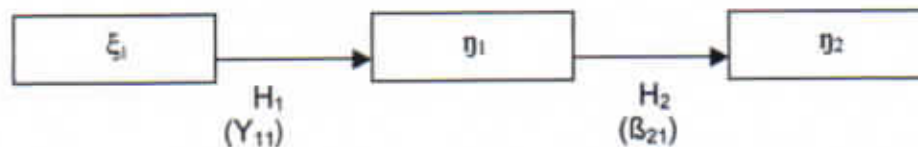
CHAPTER IV

ANALYSIS AND DISCUSSION

Description of Research Object and Location

General Description of Research Object

The objects of the research are three central government banks : The Mandiri Bank, BNI and BRI located in Jakarta. The following is general description of the three banks.

Mandiri Bank

The Mandiri Bank was set up in October 2, 1998 by Indonesian Government through a merger of four banks : PT Bank BUmi Daya, PT Bank Dagang Negara, PT Expor Impor Indonesia and PT Bank Pembangunan Indonesia.

The merger was caused by regional economic crisis in Indonesia. Because of the crisis, they need to restructure the banking sector in Indonesia. In that case thi Indonesian Government was supported by the International Monetary Fund (IMF), The World Bank and the Asian Development Bank (ADB) which have decided the recapitulation for both the private and government banks.

By the merger, it is expected that the bank will become a competitive bank, having greater efficiency and professional and productive human

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resources. The location of the bank is on Gatot Subroto street, South Jakarta.

Bank BNI (Bank Negara Indonesia)

Bank BNI was set up in July 5, 1946. This bank has started directing its effort as a development motivator bank as well as commercial bank. Now it has become one of the largest banks in Indonesia ,with 15.254 employees, 546 branch and 6 branch abroad. So it becomes domestics bank with the largest international scale. The location of the bank is on Sudirman Street, Central Jakarta.

Bank BRI (Bank Rakyat Indonesia)

Bank BRI was set up in July 5, 1946 with a very limited number of employees at that time. The location of the bank is on Sudirman street, Central Jakarta.

The Characteristic of Respondent

The number of respondents as sample in this research is 115 employes working at the three banks.

Table 4.1
Characteristic of Respondent

No.	Characteristic	Total	Percentage
1.	Gender		
	a. Male	75	63 %
	b. Female	40	37 %
2.	Marital Status		
	a. Married	95	80 %
	b. Single	20	20 %
3.	Job Tenure		
	a. < 1 year	10	17 %
	b. 1 < > 5 years	30	27 %
	c. > 5 year	75	53 %
4.	Type of Job		
	a. Managerial	65	43 %
	b. Out door	15	13 %
	c. Administration	20	23 %
	d. Tech	10	07 %
	e. general	5	13 %
	f. Other		
5.	Level of Job		
	a. Director	5	07 %
	b. General Senior Manager	10	12 %
	c. Manager	10	10 %
	d. Deputy Manager	12	08 %
	e. Chief	12	08 %
	f. Deputy Manager	15	16 %
	g. Senior Staff	18	20 %
	h. Staff	18	12 %
	i. Other	5	08 %
6.	Functional		
	a. Marketing		
	b. Production		
	c. Finance	35	63 %
	d. Personal	70	23 %
	e. Other	10	13 %
7.	Education		
	a. S 3	8	07 %
	b. S 2	20	13 %
	c. S 1	52	27 %
	d. Academy	30	37 %
	e. Senior High School	5	10 %
	f. Junior High School		07 %
	g. Other		
8.	Implementation of Outsourcing is in the following field		
	a. Recruitment		
	b. Training		
	c. Benefit Administration		
	d. Engineering		
	e. Research Development		
	f. Facility Maintenance Operation		
	g. Life Insurance		
	h. Janitorial		

Hypothesis Test

Table 4.2
Output Structural Model

	Hypothesis	Standardized Solution	T - Value	T - Table	Test Criteria
H_1	Perception of Outsourcing → Job Satisfaction	0.54 *	5.46	1.96	Reject H_0
H_2	Job Satisfaction → Turnover Intention	0.39 *	0.76	1.96	Reject H_0

Significant at level 0.05

Hypothesis 1

Ho   : $\gamma_{11} \leq 0$, Perception of outsourcing doesn't positively influence

job satisfaction

Hi   : $\gamma_{11} > 0$, Perception of outsourcing positively influence job

satisfaction

Based on the result of the hypothesis test, the T-value is 5-46 while the

table is 1-96 with the significance level 0,05, so the test criteria for the

hypothesis is rejecting Ho because T-value > T-table. That means

perception of outsourcing positively influence job satisfaction.

Hypothesis 2

Ho   : $\beta_{21} \geq 0$, Job satisfaction doesn't negatively influence turnover

intention

Hi   : $\beta_{21} < 0$, Job satisfaction negatively influence turnover intention

From the result of the hypothesis test, the T-value is 0.76 while the T-table is 1.96 with significance level 0.05. Thus the test criteria for the hypothesis is ejecting Ho as T-value > T-table. That means job satisfaction negatively influences turnover intention.

Analysis and Interpretation

The mean and standard deviation in Table 4.2 shows the response of respondent for questions written in the research questioner. The mean value on each measurement indicator for each variable shows that the response given by respondent is almost agree with the minimum number 1 (very agree) and the maximum number 5 (very disagree).

From the result of the hypothesis test, perception of outsourcing positively influences job satisfaction and job satisfaction negatively influences turnover intention.

So worker's positive perception of outsourcing increase their job satisfaction and subsequently results in decreasing their turnover intention.

The intention of previous research indicated that the technical manager's negative view of outsourcing reduce their job satisfaction and subsequently correlated to an increased desire to leave the organization.

CHAPTER V

CONCLUSION AND SUGESTION

Conclusion

From the result of the research, it can be concluded that :

1. Outsourcing positively influence job satisfaction.

2. Job satisfaction negatively influence turnover intention.

Theoretical Implication

There are several ideas that can be attained from the research :

1. The employees of banks who are expected to give good service are supposed to understand and percept positively on outsourcing that aims to improve quality and efficiency. So, managers must inform their planning to outsource certain human resource function clearly to employees including the expected results of its implementation. There must be on going communication between them to avoid misunderstanding.

2. By doing all those things, it is expected that the employees job satisfaction will increase as they have positive perception on outsourcing. Their motivation to work effectively will also be expected to increase.

3. When the management plan the outsourcing program well, including choosing the right vendor or supplies who is really capable of doing the outsourced functions, many benefits will be obtained for the good of the company and the employees.

Recommendation for Further Research

1. The amount of sample for the research should be added in order to get more accurate data so that the result of analysis will be more perfect.

2. It is suggested that the next research will be hold at institution with different characteristics including the services provided, or at institutions that are typical with bank.

3. To be more specific and focus on sample, it is suggested to have sample with the same characteristic including : position, services profile or type of work, the length of service and educational background.

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APPENDIX

Appendix 1

QUESTIONNAIRE

Give your answer in which

1 = strongly agree   4 = disagree
2 = agree   5 = strongly disagree
3 = neutral

I. Perception of Outsourcing

		SA	A	N	D	SD
1.	Outsourcing will negatively influence my motivation	1	2	3	4	5
2.	As Outsourcing becomes widely Implemented, I feel that my career will be negatively impacted	1	2	3	4	5
3.	Outsourcing will negatively influence my role as employee	1	2	3	4	5
4.	Outsourcing discourage me to work	1	2	3	4	5
5.	After outsourcing has been implemented, I feel that my future promotion opportunities will be negatively influenced	1	2	3	4	5

1 = strongly disagree   4 = agree
2 = disagree   5 = strongly agree
3. = neutral

		SD	D	N	A	SA
6.	After outsourcing has been implemented, I fell my job will be rewardingi.	1	2	3	4	5

7. I feel that I can do better than others.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

8. I feel that my job will hold responsibility commensurate with my time in service after outsourcing has been implemented.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

9. After outsourcing has been implemented, I feel my job will be challenging.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

II. Job satisfaction

1. I am satisfied that I work in different situation.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

2. I am satisfied that the work I do is important.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

3. I am satisfied that my current job is challenging.

    ☐   ☐   ☐   ☐   ☐
  1   2   3   4   5

4. I am satisfied that my current job is rewarding.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

5. My current job holds responsibility commensurate with my time in service.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

6. My current job is preparing me for future positions of greater responsibility.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

7. I am satisfied that I can focus more on my job.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

8. I am satisfied that I have the aptitute for doing the job.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

9. I am satisfied that I like the personality of the job.

    ☐   ☐   ☐   ☐   ☐
    1   2   3   4   5

III. Turnoner Intention

1. I plan to remain in the service until retirement.

   ☐ ☐ ☐ ☐ ☐
   1 2 3 4 5

2. I will probably look for a job in the next year.

   ☐ ☐ ☐ ☐ ☐
   1 2 3 4 5

3. I won't work with maximum effort.

   ☐ ☐ ☐ ☐ ☐
   1 2 3 4 5

4. I feel that I work under pressure.

   ☐ ☐ ☐ ☐ ☐
   1 2 3 4 5

5. I will be frequently absent from work.

   ☐ ☐ ☐ ☐ ☐
   1 2 3 4 5

Appendix 2

Characteristic of Respondent

Put a check (V) on the answer box

1. Gender
   a. Male ☐
   b. Female ☐
2. Marital Status
   a. Married ☐
   b. Single ☐
3. Job Tenure
   a. < 1 year ☐
   b. 1 < > 5 years ☐
   c. > 5 Years ☐
4. Type of Job
   a. Managerial ☐
   b. Out door ☐
   c. Administration ☐
   d. Technology ☐
   e. General ☐
   f. Other ☐
5. Level of Job
   a. Director ☐
   b. General Senior Manager ☐
   c. Manager ☐
   d. Deputy Manager ☐
   e. Chief ☐
   f. Deputy Manager ☐
   g. Senior Staff ☐
   h. Staff
   i. Other

6. Functional
   a. Marketing ☐
   b. Production ☐
   c. Finance ☐
   d. Personal ☐
   e. Other ☐
7. Education
   a. S 3 ☐
   b. S 2 ☐
   c. S 1 ☐
   d. Academy ☐
   e. Senior High School ☐
   f. Junior High School ☐
   g. Other ☐
8. Implementation of Outsoucing
   1. Recruitment ☐
   2. Training ☐
   3. Benefit Administration ☐
   4. Engineering ☐
   5. Research Development ☐
   6. Facilitiy Maintenance Operation ☐
   7. Life Insurance ☐
   8. Janitorial ☐

Appendix 3

Research Questionnaire

Dear Sir, Miss,   Number:

This research is aimed to study the impact of employees'perception of outsourcing human resource on their job satisfaction and turnover intention. It is done to fulfill the requirement to take magister management degree at University of Trisakti.

The result of this research will not be publised and the answer of the questionnaire will be kept secret.

In accordance with this, I hope that you want to fill the questionnaire by putting a check on the most appropriate answer. Thank you for your attention and help.

Applicant,

(Retno Sari Murtiningsih)

Appendix 4.

STRUCTURAL EQUATION MODELING BY LISREL 8.30

The following lines were read from file D:\PROJECT\RETNO\LISREL\RETNO.SPJ:

```
Observed Variables
Out1 Out2 Out3 Out4 Out5 Out6 Job1 Job2 Job3 Job4
Job5 Job6 Turn1 Turn2 Turn3 Turn4
Covariance Matrix
2.03
1.89 2.29
1.79 1.87 2.02
1.94 2.08 1.87 2.35
1.32 1.35 1.29 1.34 2.44
1.12 1.22 1.16 1.12 1.54 2.07
0.77 0.89 0.88 0.79 0.83 0.75 1.80
0.92 1.12 1.07 0.90 0.90 0.92 1.88 2.72
0.86 1.03 1.05 0.94 0.88 0.91 1.89 2.01 2.36
0.79 0.83 0.68 0.74 0.70 0.91 1.08 1.36 1.15 2.22
1.00 0.99 0.96 0.88 0.78 0.95 1.20 1.26 1.30 1.67
2.22
1.22 1.15 1.08 1.04 0.94 1.10 1.07 1.37 1.16 1.89
1.91 2.53
-0.80 -0.85 -0.97 -0.89 -0.54 -0.58 -0.77 -1.05 -0.88 -0.64
-0.57 -0.80 2.46
-0.79 -0.89 -0.86 -0.85 -0.62 -0.67 -0.82 -1.04 -0.94 -0.86
-0.76 -0.81 2.04 2.52
-0.82 -0.92 -0.88 -0.92 -0.55 -0.52 -0.86 -1.13 -0.95 -0.75
-0.67 -0.87 2.41 2.04 2.49
-0.70 -0.75 -0.77 -0.76 -0.52 -0.59 -0.76 -0.92 -0.86 -0.74
-0.64 -0.69 2.00 2.40 1.99 2.39
Means
2.92 2.80 2.90 2.78 2.87 2.84 2.99 2.96 2.92 2.78
2.90 3.02 3.04 3.07 3.03 3.09
Sample Size = 92
Latent Variables Out Job Turn
Relationships
Out4 = 1*Out
Out1 Out2 Out3 Out5 Out6 = Out
Job6 = 1*Job
Job1 Job3 Job4 Job5 Job2 = Job
Turn2 = 1*Turn
Turn1 Turn3 Turn4 = Turn
Job = Out
Turn = Job
Set Error Covariance of Out5 and Out6 free
Set Error Covariance of Turn1 and Turn3 Free
```

```
Set Error Covariance of Job2 and Job3 Free
Set Error Covariance of Job1 and Job3 Free
Set Error Covariance of Job1 and Job2 Free
Set Error Covariance of Job5 and Job2 Free
Set Error Variance of Turn2 to 0.1
Set Error Variance of Turn4 to 0.1
Set Error Covariance of Turn2 and Turn4 Free
Path Diagram
Lisrel Output:SC SS EF AD=OFF
Iterations = 250
Method of Estimation: Maximum Likelihood
End of Problem
```

Covariance Matrix to be Analyzed

	Job1	Job2	Job3	Job4	Job5	Job6
Job1	1.80					
Job2	1.88	2.72				
Job3	1.89	2.01	2.36			
Job4	1.08	1.36	1.15	2.22		
Job5	1.20	1.26	1.30	1.67	2.22	
Job6	1.07	1.37	1.16	1.89	1.91	2.53
Turn1	-0.77	-1.05	-0.88	-0.64	-0.57	-0.80
Turn2	-0.82	-1.04	-0.94	-0.86	-0.76	-0.81
Turn3	-0.86	-1.13	-0.95	-0.75	-0.67	-0.87
Turn4	-0.76	-0.92	-0.86	-0.74	-0.64	-0.69
Out1	0.77	0.92	0.86	0.79	1.00	1.22
Out2	0.89	1.12	1.03	0.83	0.99	1.15
Out3	0.88	1.07	1.05	0.68	0.96	1.08
Out4	0.79	0.90	0.94	0.74	0.88	1.04
Out5	0.83	0.90	0.88	0.70	0.78	0.94
Out6	0.75	0.92	0.91	0.91	0.95	1.10

Covariance Matrix to be Analyzed

	Turn1	Turn2	Turn3	Turn4	Out1	Out2
Turn1	2.46					
Turn2	2.04	2.52				
Turn3	2.41	2.04	2.49			
Turn4	2.00	2.40	1.99	2.33		
Out1	-0.80	-0.79	-0.82	-0.70	2.03	
Out2	-0.85	-0.89	-0.92	-0.75	1.85	2.29
Out3	-0.87	-0.86	-0.88	-0.77	1.79	1.87
Out4	-0.89	-0.85	-0.92	-0.76	1.94	2.08
Out5	-0.54	-0.62	-0.55	-0.52	1.32	1.35
Out6	-0.58	-0.67	-0.52	-0.59	1.12	1.22

Covariance Matrix to be Analyzed

	Out3	Out4	Out5	Out6
Out3	2.02			
Out4	1.87	2.35		
Out5	1.29	1.34	2.44	
Out6	1.16	1.12	1.54	2.07

Parameter Specifications

LAMBDA-Y

	Job	Turn
Job1	1	0
Job2	2	0
Job3	3	0
Job4	4	0
Job5	5	0

```
        Job6          0              0
        Turn1         0              6
        Turn2         0              0
        Turn3         0              7
        Turn4         0              8
```

LAMBDA-X

	Out
Out1	9
Out2	10
Out3	11
Out4	0
Out5	12
Out6	13

BETA

	Job	Turn
Job	0	0
Turn	14	0

GAMMA

	Out
Job	15
Turn	0

PHI

	Out
	16

PSI
Note: This matrix is diagonal.

Job	Turn
17	18

THETA-EPS

	Job1	Job2	Job3	Job4	Job5	Job6
Job1	19					
Job2	20	21				
Job3	22	23	24			
Job4	0	0	0	25		
Job5	0	26	0	0	27	
Job6	0	0	0	0	0	28
Turn1	0	0	0	0	0	0
Turn2	0	0	0	0	0	0
Turn3	0	0	0	0	0	0
Turn4	0	0	0	0	0	0

THETA-EPS

	Turn1	Turn2	Turn3	Turn4
Turn1	29			
Turn2	0	0		
Turn3	30	0	31	
Turn4	0	32	0	0

THETA-DELTA

	Out1	Out2	Out3	Out4	Out5	Out6
Out1	33					
Out2	0	34				
Out3	0	0	35			
Out4	0	0	0	36		
Out5	0	0	0	0	37	
Out6	0	0	0	0	38	39

Number of Iterations = 10

LISREL Estimates (Maximum Likelihood)

LAMBDA-Y

	Job	Turn
Job1	0.58	- -
	(0.09)	
	6.83	
Job2	0.73	- -
	(0.11)	
	6.78	
Job3	0.63	- -
	(0.10)	
	6.33	
Job4	0.89	- -
	(0.08)	
	11.68	
Job5	0.92	- -
	(0.07)	
	12.29	
Job6	1.00	- -
Turn1	- -	0.85
		(0.06)
		13.84
Turn2	- -	1.00
Turn3	- -	0.85
		(0.06)
		13.52
Turn4	- -	0.97
		(0.02)
		43.88

LAMBDA-X

	Out
Out1	0.94
	(0.05)
	18.18
Out2	0.99
	(0.06)
	17.83
Out3	0.92
	(0.05)

```
             16.86
Out4          1.00

Out5          0.67
             (0.10)
              7.04
Out6          0.59
             (0.09)
              6.54
```

BETA

	Job	Turn
Job	- -	- -
Turn	-0.42	- -
	(0.11)	
	-3.76	

GAMMA

	Out
Job	0.54
	(0.10)
	5.46
Turn	- -

Covariance Matrix of ETA and KSI

	Job	Turn	Out
Job	2.08		
Turn	-0.88	2.42	
Out	1.12	-0.47	2.06

PHI

```
    Out
-----------
   2.06
  (0.35)
   5.94
```

PSI
Note: This matrix is diagonal.

Job	Turn
1.46	2.05
(0.28)	(0.32)
5.31	6.36

Squared Multiple Correlations for Structural Equations

Job	Turn
0.30	0.15

THETA-EPS

	Job1	Job2	Job3	Job4	Job5	Job6
Job1	1.09					
	(0.17)					
	6.39					
Job2	1.04	1.69				
	(0.20)	(0.27)				
	5.30	6.22				
Job3	1.12	1.09	1.53			
	(0.19)	(0.22)	(0.24)			
	5.93	4.94	6.44			
Job4	- -	- -	- -	0.58		
				(0.11)		
				5.25		
Job5	- -	-0.21	- -	- -	0.47	
		(0.08)			(0.10)	
		-2.80			4.55	
Job6	- -	- -	- -	- -	- -	0.45
						(0.11)
						4.23
Turn1	- -	- -	- -	- -	- -	- -
Turn2	- -	- -	- -	- -	- -	- -
Turn3	- -	- -	- -	- -	- -	- -
Turn4	- -	- -	- -	- -	- -	- -

THETA-EPS

	Turn1	Turn2	Turn3	Turn4
Turn1	0.73			
	(0.12)			
	6.28			
Turn2	- -	0.10		
Turn3	0.68	- -	0.76	
	(0.11)		(0.12)	
	5.98		6.30	
Turn4	- -	0.05	- -	0.10
		(0.01)		
		5.74		

Squared Multiple Correlations for Y - Variables

Job1	Job2	Job3	Job4	Job5	Job6
0.39	0.40	0.35	0.74	0.79	0.82

Squared Multiple Correlations for Y - Variables

Turn1	Turn2	Turn3	Turn4
0.70	0.96	0.69	0.96

THETA-DELTA

	Out1	Out2	Out3	Out4	Out5	Out6
Out1	0.22					
	(0.05)					
	4.82					
Out2	- -	0.27				
		(0.05)				
		4.98				
Out3	- -	- -	0.29			
			(0.05)			
			5.35			
Out4	- -	- -	- -	0.29		
				(0.06)		
				5.07		
Out5	- -	- -	- -	- -	1.51	
					(0.23)	
					6.61	
Out6	- -	- -	- -	- -	0.73	1.36
					(0.17)	(0.21)
					4.22	6.63

Squared Multiple Correlations for X - Variables

Out1	Out2	Out3	Out4	Out5	Out6
0.89	0.88	0.86	0.88	0.38	0.34

Goodness of Fit Statistics

Degrees of Freedom = 97
Minimum Fit Function Chi-Square = 121.72 (P = 0.046)
Normal Theory Weighted Least Squares Chi-Square = 111.86 (P = 0.14)
Estimated Non-centrality Parameter (NCP) = 14.86
90 Percent Confidence Interval for NCP = (0.0 ; 45.23)

Minimum Fit Function Value = 1.34
Population Discrepancy Function Value (F0) = 0.16
90 Percent Confidence Interval for F0 = (0.0 ; 0.50)

Root Mean Square Error of Approximation (RMSEA) = 0.041
90 Percent Confidence Interval for RMSEA = (0.0 ; 0.072)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.65

Expected Cross-Validation Index (ECVI) = 2.09
90 Percent Confidence Interval for ECVI = (1.92 ; 2.42)
ECVI for Saturated Model = 2.99
ECVI for Independence Model = 21.42

Chi-Square for Independence Model with 120 Degrees of Freedom = 1917.61
Independence AIC = 1949.61
Model AIC = 189.86
Saturated AIC = 272.00
Independence CAIC = 2005.96
Model CAIC = 327.21
Saturated CAIC = 750.96

Root Mean Square Residual (RMR) = 0.25
Standardized RMR = 0.11

Goodness of Fit Index (GFI) = 0.87
Adjusted Goodness of Fit Index (AGFI) = 0.81
Parsimony Goodness of Fit Index (PGFI) = 0.62

Normed Fit Index (NFI) = 0.94
Non-Normed Fit Index (NNFI) = 0.98
Parsimony Normed Fit Index (PNFI) = 0.76

Comparative Fit Index (CFI) = 0.99
Incremental Fit Index (IFI) = 0.99
Relative Fit Index (RFI) = 0.92

Critical N (CN) = 99.92

Standardized Solution

LAMBDA-Y

	Job	Turn
Job1	0.84	- -
Job2	1.05	- -
Job3	0.91	- -
Job4	1.28	- -
Job5	1.32	- -
Job6	1.44	- -
Turn1	- -	1.32
Turn2	- -	1.56
Turn3	- -	1.31
Turn4	- -	1.51

LAMBDA-X

	Out
Out1	1.35
Out2	1.42
Out3	1.32
Out4	1.44
Out5	0.96
Out6	0.84

BETA

	Job	Turn
Job	- -	- -
Turn	-0.39	- -

GAMMA

	Out
Job	0.54
Turn	- -

Correlation Matrix of ETA and KSI

	Job	Turn	Out
Job	1.00		
Turn	-0.39	1.00	
Out	0.54	-0.21	1.00

PSI
Note: This matrix is diagonal.

	Job	Turn

```
            --------        --------
             0.70            0.85
```

Regression Matrix ETA on KSI (Standardized)

```
                 Out
              --------
   Job           0.54
   Turn         -0.21
```

Total and Indirect Effects

Total Effects of KSI on ETA

```
                 Out
              --------
   Job           0.54
                (0.10)
                 5.46


   Turn         -0.23
                (0.07)
                -3.18
```

Indirect Effects of KSI on ETA

```
                 Out
              --------
   Job           - -

   Turn         -0.23
                (0.07)
                -3.18
```

Total Effects of ETA on ETA

```
                 Job            Turn
              --------        --------
   Job           - -             - -

   Turn         -0.42            - -
                (0.11)
                -3.76
```

Largest Eigenvalue of B*B' (Stability Index) is   0.178

Total Effects of ETA on Y

```
                 Job            Turn
              --------        --------
   Job1          0.58            - -
                (0.09)
                 6.83

   Job2          0.73            - -
                (0.11)
                 6.78

   Job3          0.63            - -
```

	(0.10) 6.33	
Job4	0.89 (0.08) 11.68	- -
Job5	0.92 (0.07) 12.29	- -
Job6	1.00	- -
Turn1	-0.36 (0.10) -3.65	0.85 (0.06) 13.84
Turn2	-0.42 (0.11) -3.76	1.00
Turn3	-0.36 (0.10) -3.64	0.85 (0.06) 13.52
Turn4	-0.41 (0.11) -3.76	0.97 (0.02) 43.88

Indirect Effects of ETA on Y

	Job	Turn
Job1	- -	- -
Job2	- -	- -
Job3	- -	- -
Job4	- -	- -
Job5	- -	- -
Job6	- -	- -
Turn1	-0.36 (0.10) -3.65	- -
Turn2	-0.42 (0.11) -3.76	- -
Turn3	-0.36 (0.10) -3.64	- -
Turn4	-0.41 (0.11) -3.76	- -

Total Effects of KSI on Y

	Out
Job1	0.32 (0.07) 4.50

```
         Job2      0.40
                  (0.09)
                   4.49

         Job3      0.34
                  (0.08)
                   4.35


         Job4      0.48
                  (0.09)
                   5.33

         Job5      0.50
                  (0.09)
                   5.41

         Job6      0.54
                  (0.10)
                   5.46

        Turn1     -0.19
                  (0.06)
                  -3.12

        Turn2     -0.23
                  (0.07)
                  -3.18

        Turn3     -0.19
                  (0.06)
                  -3.11

        Turn4     -0.22
                  (0.07)
                  -3.18
```

Standardized Total and Indirect Effects

Standardized Total Effects of KSI on ETA

```
              Out
           --------
  Job        0.54
  Turn      -0.21
```

Standardized Indirect Effects of KSI on ETA

```
              Out
           --------
  Job        - -
  Turn      -0.21
```

Standardized Total Effects of ETA on ETA

```
              Job        Turn
           --------   --------
  Job        - -        - -
  Turn      -0.29       - -
```

Standardized Total Effects of ETA on Y

```
              Job        Turn
           --------   --------
  Job1       0.84       - -
  Job2       1.05       - -
  Job3       0.91       - -
  Job4       1.28       - -
  Job5       1.32       - -
```

```
Job6      1.44        - -
Turn1    -0.51       1.32
Turn2    -0.61       1.56
Turn3    -0.51       1.31
Turn4    -0.59       1.51
```

Standardized Indirect Effects of ETA on Y

```
           Job        Turn
         --------    --------
Job1       - -         - -
Job2       - -         - -
Job3       - -         - -
Job4       - -         - -
Job5       - -         - -
Job6       - -         - -
Turn1    -0.51         - -
Turn2    -0.61         - -
Turn3    -0.51         - -
Turn4    -0.59         - -
```

Standardized Total Effects of KSI on Y

```
           Out
         --------
Job1      0.46
Job2      0.57
Job3      0.50
Job4      0.70
Job5      0.72
Job6      0.78
Turn1      - -
Turn2      - -
Turn3      - -
Turn4      - -
```

The Problem used   38456 Bytes (= 0.1% of Available Workspace)

Time used: 0.160 Seconds

Appendix 5.

UJI VALIDITAS

1. PERSEPSI TERHADAP OUTSOURCING

Correlations[a]

			TOTAL	KETERANGAN
Spearman's rho	OUT1	Correlation Coefficient	.105	TIDAK VALID
	OUT2	Correlation Coefficient	.814	VALID
	OUT3	Correlation Coefficient	.830	VALID
	OUT4	Correlation Coefficient	-.012	TIDAK VALID
	OUT5	Correlation Coefficient	.846	VALID
	OUT6	Correlation Coefficient	.845	VALID
	OUT7	Correlation Coefficient	.095	TIDAK VALID
	OUT8	Correlation Coefficient	.481	VALID
	OUT9	Correlation Coefficient	.807	VALID
	TOTAL	Correlation Coefficient	1.000	

a. Listwise N = 30

2. JOB SATISFACTION

Correlations[a]

			TOTAL	KETERANGAN
Spearman's rho	JOB1	Correlation Coefficient	.294	TIDAK VALID
	JOB2	Correlation Coefficient	.710	VALID
	JOB3	Correlation Coefficient	.807	VALID
	JOB4	Correlation Coefficient	.796	VALID
	JOB5	Correlation Coefficient	.775	VALID
	JOB6	Correlation Coefficient	.852	VALID
	JOB7	Correlation Coefficient	.070	TIDAK VALID
	JOB8	Correlation Coefficient	.772	VALID
	JOB9	Correlation Coefficient	.043	TIDAK VALID
	TOTAL	Correlation Coefficient	1.000	

a. Listwise N = 30

3. TURNOVER INTENTION

Correlations[a]

			TOTAL	KETERANGAN
Spearman's rho	TURN1	Correlation Coefficient	.824	VALID
	TURN2	Correlation Coefficient	.854	VALID
	TURN3	Correlation Coefficient	.814	VALID
	TURN4	Correlation Coefficient	.268	TIDAK VALID
	TURN5	Correlation Coefficient	.860	VALID
	TOTAL	Correlation Coefficient	1.000	

a. Listwise N = 30

Appendix 6.

LAMPIRAN UJI RELIABILITAS

I. PERSEPSI TERHADAP OUTSOURCING

```
****** Method 1 (space saver) will be used for this analysis ******

  R E L I A B I L I T Y   A N A L Y S I S   - S C A L E   (A L P H A)

  1.      OUT2
  2.      OUT3
  3.      OUT5
  4.      OUT6
  5.      OUT8
  6.      OUT9

Reliability Coefficients

N of Cases = 30.0                    N of Items = 6

Alpha =    .9230
```

2. JOB SATISFACTION

```
****** Method 1 (space saver) will be used for this analysis ******

  R E L I A B I L I T Y   A N A L Y S I S   - S C A L E   (A L P H A)

  1.      JOB2
  2.      JOB3
  3.      JOB4
  4.      JOB5
  5.      JOB6
  6.      JOB8

Reliability Coefficients

N of Cases = 30.0                    N of Items = 6

Alpha =    .9696
```

3. TURNOVER INTENTION

```
****** Method 1 (space saver) will be used for this analysis ******

  R E L I A B I L I T Y   A N A L Y S I S   - S C A L E   (A L P H A)

  1.      TURN1
  2.      TURN2
  3.      TURN3
  4.      TURN5

Reliability Coefficients

N of Cases = 30.0                     N of Items = 4

Alpha =    .9626
```
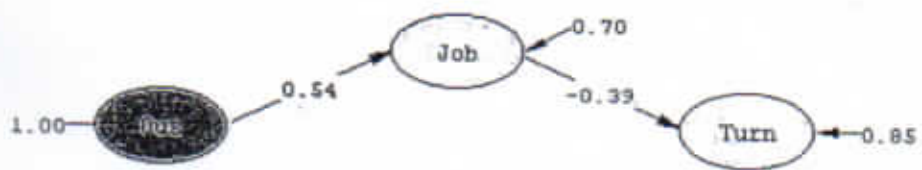
Output Standardized Solution by Lisrel 8.30

Chi-Square=111.86, df=97, P-value=0.14369, RMSEA=0.041