

Improving Employee Engagement at The West Wanagon Slope Stability (WWSS) Project of PT. Freeport Indonesia

Fari Putra, Aurik Gustomo
School of Business Management
ITB
Bandung, Indonesia
Email: fari.fathiardi@sbm-itb.ac.id; aurik@sbm-itb.ac.id

Abstract

As a commitment to Indonesian government regulations on mine closure, PTFI launched the Lower Wanagon Project since January 2011 and projected will be finished in 2024. Delays in material movement potentially affect additional costs in the future. One of the cause of project delay is low rate of employee engagement. The purpose of this research are to find the factors that might affect Employee Engagement at PTFI especially in the WWSS Project, and analyze the critical factors and suggest several improvements based on critical factors to improve employee engagement. Three employee engagement models that common being used in mining company such as; Gallup, DDI, and Aon-Hewitt utilized as reference and supported by empirical studies to find the appropriate model for PTFI was conducted as a descriptive study. Based on the model, surveys that conducted combined with interviews and focus group discussions resulted in employee engagement models for PTFI. Defandant scoring to define the existing conditon about the factor through statements in questionnaire. Quality of Life factor contained living area that relatively far from nearest city and work schedule during the week and vacation schedule and allocation. Leadership factor contains ability by which individuals become conscious of ways to achieve their desired goals and develop new values. Career, Support, and Development factor contains strong performance conditions for the task, opportunities to advance more skills and chance to grow and pick up new ability and knowledge.

Key words: Employee Engagement; Gallup, DDI; Aon-Hewitt; Mine Closure; WWSS; PTFI.

1. Introduction

PTFI has been operating for 50 years based on a Contract of Work (COW) with Government of Indonesia. Normally, PTFI produces ore more than 200,000 tons material movement per day as production result from surface mine (Grasberg open pit) and underground mine which consist of Deep Ore Zone (DOZ) and Big Gossan. Grasberg open pit is one of the largest copper and gold reserve in the world (Mahler & Sabirin, 2009:7). With its total proven ore reserve, about 1.76 billion tons contain 35.2 billion pounds of copper and 49 million troy ounces of gold, Grasberg become the backbone of PTFI since its production in 1992.



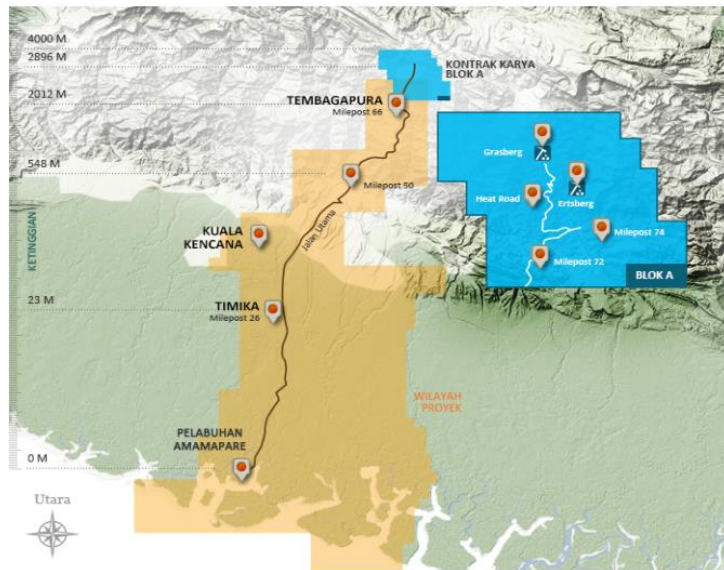


Figure 1: PTFI Project Area (Source: PT Freeport Indonesia, 2017)

2. Issues

As a commitment to the Indonesian government regulations on mine closure, PTFI launched the Lower Wanagon Project since January 2011 and projected will be finished in 2024. Long-term stability of the Lower Wanagon overburden stockpile is urgent to prevent the potential for acid rock drainage downstream, reduce the potential for failure in high seismic areas, and to meet reclamation commitments. The general aim of the project is stabilizing the overburden at Lower Wanagon through re-sloping its overburden. The total earthwork volume for this project is about move 275 Million Ton for re-sloping work, and total cost for this is approximately USD 500 Million and could be expand to USD 780 million if maximum delayed.

Based on strategic planning, the achievement of total displaced material is critical to the project to minimize erosion levels and to ensure that the project finish on schedule by 2024. By creating new organization structure for Lower-Wanagon Project since April 2015, Vice President of Surface Mine Division is expect that achievement of total material moved can meet the target.

Nevertheless, during April 2015 until March 2017 total material moved at Lower Wanagon Project is 24.7% behind than the target. Actual total material moved for this project is 1,829,804 Tons, while the target is 2,430,000 Tons. With this rate, it is projected that the project will be finished in 2027 instead of 2024.

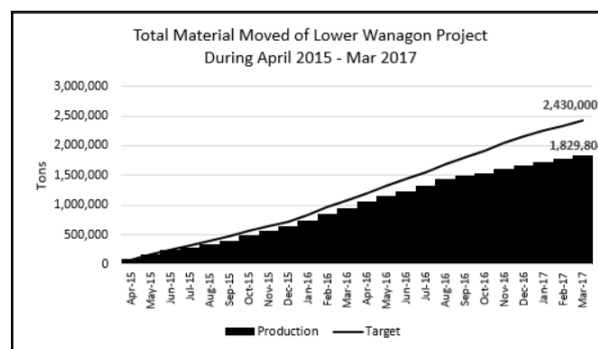


Figure 2. Total Material Moved of Lower Wanagon Project During April 2015 - Mar 2017 (Source: Grasberg Dispatch)

Delays in material movement potentially affect additional costs in the future. Thus, based on current achievements, the Vice President of the Mine Surface Area requires an evaluation of the project organization's performance.

In terms of cost, during 2011 to 2016, the Lower Wanagon project has cost the actual cost of USD 99 million from the initial total budget of USD 500 million until the project is completed.

Compared to the initial budget it is still under the budget but compared to the actual progress of the project, the cost is already over about USD 40 million and projected to be approximately \$280 million even higher by the end of the project.

In addition to the direct costs with the amount of money spent, the failure to complete the project on schedule will result be unsuccessful in obligations to the government, which we know that PTFI seeks to establish better relations with the government. In addition, the location of Banti Village is precisely located in the river flow through if the project is not in accordance with the schedule to create a higher erosion level and reduce water quality in Banti Village, this is certainly not in accordance with CSR Program owned by PTFI.

West Wanagon Slope Stability (WWSS) project itself runs behind the schedule because of low Use of Availability (UoA) as shown on diagram below (Figure 3). Use of Availability is low because of high standby time, and this high standby time mostly caused of absents most happened in the first day and/or the last day of working shift. The reason of not working in the first day and last day of working shift, most of the reason, is that the workers want to spend more time with their families. (Note: most of the operator living in Timika, nearest city from Tembagapura. Operator go to Timika during their day off)

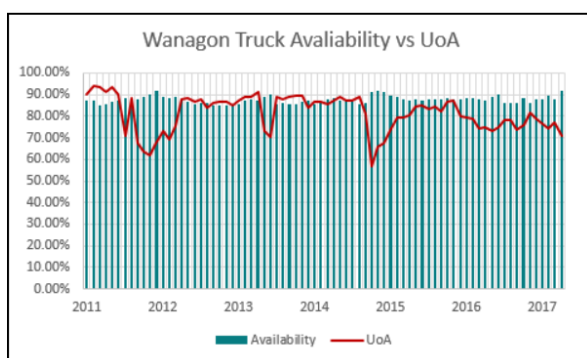


Figure 3. Wanagon Truck Availability compared to Use of Availability 2011- May 2017 (Source: Grasberg Dispatch)

Grasberg dispatch provides data on the non-cycle delay condition of working trucks. Non-cycle delay here is an indicator to measure how long the operator is delay beyond the provision as it is caused by fog, the road is obstructed. (Note: also include the condition of employees "sitting" or not working normally due to demand something). Based on the data from the beginning of 2015 to the end of May 2017 indicating that a total of 19 days of trucks is simply not working. In addition, if compared between ceiling non-cycle delay with actual non-cycle delay the data from the beginning of 2015 until the end of May 2017 shows the value of 25% above the ceiling value. If a total of 19 days where the employee is not working are included in the data, then the total exceeds the ceiling of 811%. Graph of non-cycle delay time compared to its ceiling shown in Figure 4.

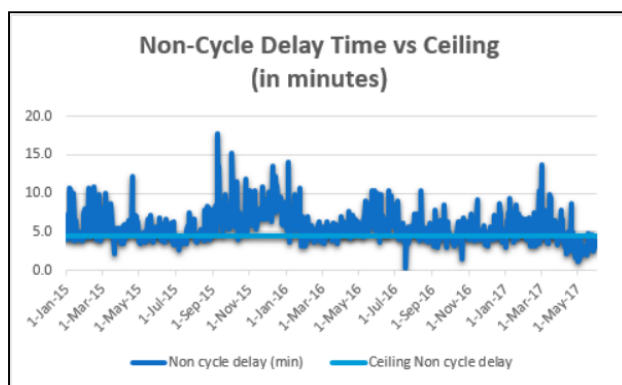


Figure 4. Truck Non-Cycle Delay Time vs Ceiling 2015- May 2017 (Source: Grasberg Dispatch)



Table 1.2. Days of Operator not working during January 2015 – May 2017 (Source: Grasberg Dispatch)

Day of Operators not Working (January 2015 - May 2017)
17-Mar-15
18-Mar-15
19-Mar-15
20-Mar-15
30-Jun-15
5-Oct-15
2-Feb-16
24-Apr-16
30-Sep-16
1-Oct-16
2-Oct-16
3-Oct-16
4-Oct-16
5-Oct-16
6-Oct-16
7-Oct-16
18-Oct-16
20-Oct-16
25-Jan-17

The Total Material Moved of Lower Wanagon Project During April 2015 - Mar 2017 shows an increasingly sharp gap since mid-2016, while based on absenteeism, the absence rate is constant at 10-20%. The cause of this sharper gap is the high non-cycle delay time that existed in addition to the occurrence of several strikes or “do not want to work” movement, recorded there are 19 times this incident occurred during the year 2015 until May 2017. The sharper gap is also due to the accumulated target not achieved, if production does not increase while the target is not reduced of course this gap will be even greater.

3. Literature Review

Referring Gallup (2009), there are three employee types (as cited in Tarigan & Gustomo, 2013): Engaged; these employees are loyal and psychologically dedicated to the organization. They are more dynamic and more likely to stay with their company. Not Engaged; these employees may be productive, but they are not psychologically linked to their company. They are more likely to miss workdays and more possible to leave. Actively disengaged; these employees are actually present but psychologically absent. They are unhappy with their working atmosphere and insist on sharing this unhappiness with their coworkers¹.

Based on the characteristics that exist, the symptoms indicated by the low absence of employees, the reluctance to work according to the job description indicates that the reduced enthusiasm belongs to the second category, Not Engaged. All of the factors that Gallup mention in not engage condition happen in WWSS Project.

Institute for Employment Studies (2004) describes employee engagement as a positive attitude from employees

¹ Tarigan & Gustomo, 2013, Proposal to Improve Employee Engagement at PT.XYZ, The Indonesian Journal of Business Administration



to the organization as a place of work. Employees will care about the organization's business and work in teams to improve the company's performance. Several factors influence employee engagement, explicitly career development, leadership, empowerment and other factors such as fair treatment, performance appraisal, work safety and cooperation.

Rewards, corporate practices, quality of life, opportunities, work activities and employees within the company influence employee engagement based on Aon Hewitt (formerly known as Hewitt Associates). If the factors are well achieved, then an organization will succeed with employee engagement. All these factors are interconnected.

Meanwhile, according to Development Dimensions International (DDI), an international human resources and leadership development consultancy, the dimensions used to know employee engagement are individual value, interpersonal support and work focused.

From some opinions above can be concluded that employee engagement contains a positive attitude towards employees who have a commitment to the company to improve the company's performance with empowerment, the application of organizational culture and good leadership.

Based on the theories above and observations in the field, where the empowerment of relationships, organizational culture, work focus, recognition, leadership, work compensation according to the role, individual values of employee engagement in PTFI, it is necessary to conduct research to determine the effect of these variables.

If employee engagement and employee performance do not match expectations then what will be done is to conduct a sharper analysis to support the company's performance.

The work culture is the value managed by management to support the company's vision, mission and strategy, if the respondent's results are not good, then the thing to do is make adjustments to the current condition and situation and socialize to employees to understand the culture.

Referring to the descriptions mentioned above, the purpose of this research are:

1. Knowing factors that affect employee engagement
2. Analyzing the critical factors and suggesting several improvements based on critical factors to improve employee engagement.

4. Employee Engagement Model For PTFI

The research will select which variable is suitable to use employee engagement model in PTFI by being eliminated or combined because it has been represented by other models.

Some variables will be combined into factors because they have the same implication and will be used to model employee engagement in PTFI, after observing and reviewing all theoretical engagement factors, this study will create an engagement factor to model for use in PTFI.

Figure 5 shows employee engagement model based on combination factors from Gallup, DDI and Aon-Hewitt that having implication with PTFI condition.



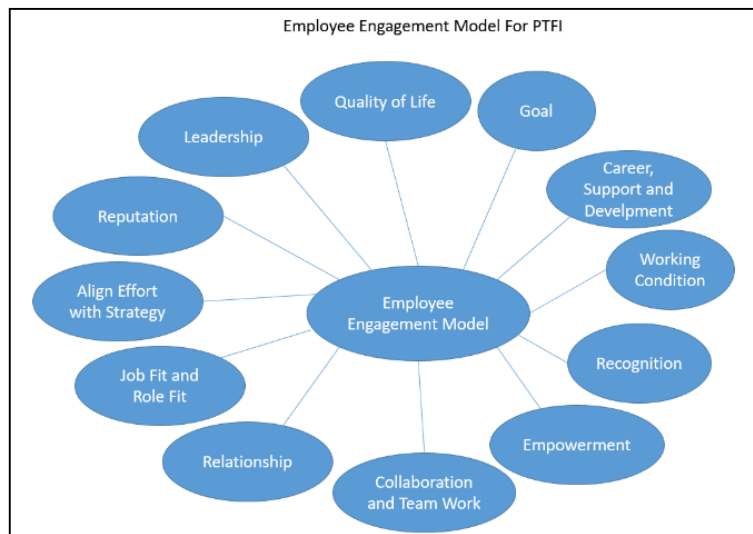


Figure 5. Employee Engagement Model For PTFI

5. Recommendation

5.1 Quality of Life

The findings support research hypotheses from Selahattin Kanten and Omer Sadullah specify that (1) there is a significant connection between QWL and employee engagement; (2) blue collar and white collar employee supposed different aspects of their quality of work life; (3) blue collar and white collar employees have dissimilar work engagement levels. Current studies show that positive emotions a key factor of organizational performance and commitment. Understanding employees, feeling is crucial for human resource management. Because, employee behavior is affected by managerial practices and Organizational climate. QWL enhance organizational performance and commitment. QWL also facilitates employees to manage their personal life².

There is a positive and significant relationship between the quality of work program (QWL) and quality of life (QOL) among employees of multinational companies in Sarawak, Malaysia. PTFI as a multinational company particularly in the similar condition with this. All elements of quality of work life (QWL) i.e. work environment and work aspects significantly correlated with quality of life (QOL). Sirgy et al. (2008) that the quality of work programs (QWL) improves the quality of life (QOL) of employees within the organization support the result. The QWL influence on QOL among employees in multinational companies shows that QWL does have a significant impact on QOL. All elements of the QWL program i.e. work environment and occupational aspects are found to correlate with the overall QOL. Given the fact that QWL programs within the organization contribute to better QOL among employees and reduce employee turnover rates, organizations should consider continuing to introduce, improve and implement QWL programs within the organization. This step will help the organization in improving the performance, productivity, and commitment also employee satisfaction³.

Based on questionnaire result respondents are have an average 3.12 that stated if they are agree about the statement "I am comfortable living far from my family". As a remote area company, PTFI cannot fulfill family accommodation for all of employee, but company accommodate employees need with limited family accommodation and regular family visit that company cover. So all of employee should know and understand about the company limitation regarding of family accommodation. For staff employee, company give option to take 6 weeks – 2 weeks working roster schedule instead of regular vacation schedule. But for non-staff, this option is not eligible.

Company also provide regular family visit for staff employee, eligible every 3 years, but non-staff employee is

² Selahattin Kanten and Omer Sadullah / Procedia - Social and Behavioral Sciences 62 (2012) 360 – 366

³ Narehan Hassan et al. / Procedia - Social and Behavioral Sciences 112 (2014) 24 – 34

not eligible for this privilege. Probably if company could provide family visit for non-staff employee can help non staff employee increasing their engagement to the company in QoL factor. Since non-staff employee is in large of number and surely company cannot provide the accommodation for this, lottery can be an option. The winner will be happier because their family can do visiting, and for the one who not still have a change for the lucky draw.

The one and only place to do shopping is Hero supermarket and Department store in PTFI working area, there is no other option. Sometimes, Quality of Life Department conduct Bazaar market for alternative, but only happened incidentally. If QoL department can do this regularly probably can increasing QoL factor for the employee.

Plenty of things can transform corporate from good to great, by returning employee by having a corporate family gathering regularly. Having family gathering could be the easiest social activities because in Indonesia gathering together in one place is a tradition. A family gathering can bring freshness and more positive atmosphere to the employee.

5.2 Leadership

Leadership. The Encyclopedia of Management (2009) describes that leadership is probably the most frequently researched topic in organizational science.

Conceptual study of leadership and engagement. Serrano and Reichard (2011) suspect that leaders can play an important role in building a work environment where employees feel energized and engaged. To help leaders fulfill this role, they identify the following four specific pathways that can increase their employee engagement:

- (1) Design meaningful and motivating work,
- (2) Support and train employees,
- (3) Increase employee personal resources, and
- (4) Facilitate beneficial and supportive coworkers (p. 180).

In line with this thinking, Attridge (2009) outlines the efforts that the organization should consider to increase employee engagement. These efforts include, designing better jobs, providing appropriate support and resources from co-workers and supervisors, and eliminating the demands of work and the pressures of difficult organizational culture. Macey and Schneider (2008) support the notion that work arrangements are a constant contributor to feelings, enthusiasm, energy, dedication, and employee absorption. Shuck and Herd (2012) states that leaders who want to produce an attractive climate must develop self-awareness (in example, an understanding of what they say and how they act), the conceptual basis of emotional intelligence, and in many ways leadership that promotes Engagement, and Attention Basic needs of followers with a willingness to respond. They note the limitations by stating that it may be challenging for those who are not focused in personal development or outwardly in community management beyond task completion or performance management⁴.

Derived from Kouzes and Posner Transformational Leadership Model, the Four E's Leadership Framework is used to Inspire, Motivate, Coordinate, Harness and Leverage the abilities and potential of those around them.

Academics and business consultants have identified various taxonomies to describe the function of leadership. However, these taxonomies of tasks and capabilities can generally be synthesized into Four Functions: Envision; Enable; Empower and Engage.

PTFI has full leadership program from top to the bottom of the organization. However, the implementation in the field is not as company expected. Operator in the field more trust and listen to informal leaders compared to their supervisors. This condition happened because of inconsistency of rule enforcement. It began in 2011 when most of the employee did strike. At that time, most of the employee who not working for more than five days were disciplined with warning letter and termination threat. Supervisors as a frontline did the warning

⁴ Marie Carasco-Saul, Woocheol Kim, Taesung Kim Leadership and Employee Engagement: Proposing Research Agendas Through a Review of Literature 2014 Sage Journal



letter. Nevertheless, at the end of the day, no one was warned or terminated, all of them are abolished, and amnesty was given. This condition led some precedent, which if the same condition happened again, then same result will be got. It needs strong commitment from top management to enforce the rule.

5.3 Career, Support, and Development

Career development opportunities are an important part of employee engagement. In fact, key driver analysis has consistently shown that career development is the second most influential way to increase employee engagement, once identified.

Simply put, if people's desire to make progress in their own careers is not met, they will start looking for work elsewhere, not working as targeted and become lazy. The opportunity to climb the career ladder often stalls on the availability of open positions-waiting for someone to die or retirement to ride in the company is a sad reality for many. When the promotion looks like a game waiting for employees, the organization is at risk of turnover.

performance of the employees is positively influenced by the overall self-efficacy. It is also proved that the organizational behavior of the skeptical practicing professionals is usually influenced a significant amount of confidence. Secondly, complexity of the tasks as well as performance locus is found to moderate the link between self-efficacy and performance at workplace. These two factors play an important role in organizational settings as they have a tendency to deteriorate the link between self-efficacy and performance. With the increase in the complexity of task, this link has been proved to be weaker. However, the organizations can improve the performance of the employees with the help of the following suggestions: Firstly, the employees should be provided with relevant details of the tasks assigned to them. The exact definitions and explanations of the tasks and context of tasks would help them to deal with the complex tasks. Secondly, the managers should explain them about the technical skills required for successful performance. They should also instruct the employees how to select a proper method among the available methods while solving a complex task. Thirdly, the managers should keep the work environment away from physical distractions. These physical distractions are found to induce negative thoughts, psychological stress and reduce team spirit among the employees. In addition to that the managers should improve the self-efficacy of the employees through effective training initiatives and make them successfully perform the complex tasks. The managers should also improve the cognitive skills and support them in taking up challenging tasks through training⁵.

In PTFI condition, employee has tendency to have fatigue or saturated with their same old tasks, looks like that in more years doing the same thing make the employee lost passion, doing same activity every day in years. In this condition, work rotation or secondment program could be solution.

In PTFI, obligatory training mostly for safety training. Specific training only for new employee who has new task. Refresher training and technical support training besides safety training can rejuvenate employee mind.

PTFI has establish career, support and development program. For non-staff to have promotion beside fulfill training and assessment for competency also need appraisal value and also year of service condition. This condition aims to gain tiered promotion, to avoid top grade non-staff buildup.

6. CONCLUSION

Based on data and analysis in this research through preliminary study and interview, literature study, spreading questionnaire, have a result employee engagement model which accordance to implement in PTFI. This model has some factor that influenced in this company. There are:

- Quality of Life
- Leadership

⁵ Jacob Cherian & Jolly Jacob, Impact of Self Efficacy on Motivation and Performance of Employees, International Journal of Business and Management; Vol. 8, No. 14; 2013, Canadian Center of Science and Education

- Career, Support, and Development
- Working Condition
- Leadership (Social Support)
- Recognition
- Reputation
- Empowerment
- Collaboration and Team Work
- Align Effort with Strategy
- Job Fit and Role Fit
- Relationship
- Goal

From the factors overhead, defendant will give a score to define the current condition about the factor through statements in questionnaire, combined with discussion and interview result selected three critical factors that effecting employee engagement in PT. Freeport Indonesia (PTFI) especially in (West Wanagon Slope Stability) WWSS Project as mention below. Quality of Life factor contained living area that relatively far from nearest city and work schedule during the week and vacation schedule and allocation. Leadership factor contains ability by which people become aware of ways to accomplish their desired goals and develop new values in satisfaction of the leader roles. Career, Support, and Development factor contains clear Performance criteria for the job, opportunities to develop further skills and chance to grow and pick up new skill and knowledge. The critical factors had been analyzed with literature study, empirical data and also interview and discussion with project stakeholders and produce some recommendations for the improvement critical factors to develop employee engagement in PTFI WWSS Project.

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