

## The Socioeconomic Implications Of Labor Regulatory Shifts Under The Job Creation Law On Workforce Welfare

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### Abstrak

Penelitian ini mengkaji dampak perubahan kebijakan ketenagakerjaan dalam Undang-undang Cipta Kerja terhadap kesejahteraan tenaga kerja di Indonesia. Melalui metode studi literatur dengan pendekatan kualitatif normatif, penelitian ini menganalisis perbandingan kebijakan ketenagakerjaan antara Undang-undang Nomor 13 Tahun 2003 dan Undang-undang Cipta Kerja serta perubahan yang terjadi. Hasil penelitian menunjukkan bahwa reformasi kebijakan melalui Omnibus Law memberikan dampak berarti pada aspek perjanjian kerja waktu tertentu (PKWT), pengalihan tugas (outsourcing), sistem pengupahan, dan pemberhentian kerja (PHK) serta kompensasi yang diterima. Perubahan tersebut berdampak pada berkurangnya tingkat perlindungan bagi pekerja, bertambahnya durasi status pekerjaan, dan berpotensi meningkatkan potensi risiko eksploitasi melalui kontrak yang diperpanjang. Di sisi lain, pemerintah berfokus pada peningkatan investasi dan penciptaan lapangan kerja dengan cara menyederhanakan regulasi dan prosedur perizinan. Namun, penerapan kebijakan ini masih menghadapi berbagai tantangan, terutama dalam menjaga keseimbangan antara kepentingan investasi dan perlindungan hak-hak tenaga kerja. Studi ini menekankan pentingnya pengawasan yang ketat dan evaluasi yang berkesinambungan terhadap pelaksanaan Undang-undang Cipta Kerja agar tujuan peningkatan kesejahteraan tenaga kerja dapat dicapai secara maksimal.

**Kata Kunci:** Cipta Kerja, Ketenagakerjaan, Kesejahteraan, Pekerja

### Abstract

*This study examines the impact of changes in employment policies in the Job Creation Law on the welfare of workers in Indonesia. Through a literature study method with a qualitative normative approach, this study analyzes the comparison of employment policies between Law Number 13 of 2003 and the Job Creation Law and the changes that have occurred. The results of the study indicate that policy reforms through the Omnibus Law have a significant impact on aspects of fixed-term employment agreements (PKWT), outsourcing, wage systems, and termination of employment (PHK) and compensation received. These changes have an impact on reducing the level of protection for workers, increasing the length duration of employment status, and potentially increasing the potential for risk of exploitation through extended contracts. On the other hand, the government focuses on increasing investment and job creation by simplifying regulations and licensing procedures. However, the implementation of this policy still faces various challenges, especially in maintaining a balance between investment interests and the protection of workers' rights. This study emphasizes the importance of strict supervision and continuous evaluation of the implementation of the Job Creation Law so that the goal of improving workers' welfare can be achieved optimally.*

**Keywords:** Job Creation, Employment, Welfare, Workers.

### A. Introduction

Upon inaugurating his second term in October 2019, President Joko Widodo articulated a definitive mandate to overhaul legislative frameworks perceived as bottlenecks to job creation. He proposed a strategic legislative shift through the 'Omnibus Law'—a term derived from Latin meaning 'law for all.' In a legal context, this framework functions as a consolidated drafting technique characterized by several distinct features: it is multi-sectoral, unifying diverse regulatory domains under a single thematic umbrella; it is inherently voluminous due to this broad scope; and it serves as a master instrument that integrates numerous disparate regulations. Furthermore, an Omnibus Law operates as a self-contained entity and possesses the legal authority to supersede or repeal existing

statutes, either in part or in their entirety.<sup>1</sup> Etymologically, an 'Omnibus Law' refers to a comprehensive legislative instrument designed to encompass a diverse array of disparate legal subjects. Its primary objective is to streamline the existing regulatory framework by amending, consolidating, or repealing various extant statutes that are deemed redundant or in need of substantive refinement.<sup>2</sup>

The Omnibus Law on Job Creation represents a landmark shift in the Indonesian legislative framework, constituting the nation's inaugural utilization of the omnibus legal technique to stimulate economic progression. This comprehensive statute is organized into eleven strategic clusters designed to overhaul the domestic economic environment. Central to its architecture is the streamlining of bureaucratic licensing and the refinement of investment prerequisites, which work in tandem with reformed labor regulations and land acquisition protocols to enhance the ease of doing business. Furthermore, the legislation prioritizes sustainable growth by integrating provisions for research and innovation, strengthening public administration, and restructuring the framework for legal sanctions. Beyond macro-level reforms, the law places significant emphasis on the empowerment of MSMEs, the facilitation of government-led investment projects, and the strategic optimization of special economic zones, collectively forming a multifaceted approach to national development.

The Job Creation Bill was meticulously formulated by the government as a strategic intervention to revitalize the Indonesian economy, which had suffered a significant contraction in the wake of the COVID-19 pandemic. Fundamentally, the Omnibus Law on Job Creation seeks to implement a holistic overhaul of the nation's economic regulatory framework. By introducing these substantive structural reforms, the initiative aims to catalyze a robust economic recovery and expand employment opportunities to accommodate the needs of Indonesia's burgeoning demographic.

Furthermore, the primary impetus behind the **Job Creation Law** is the generation of expansive employment opportunities for the Indonesian workforce and the stimulation of substantial domestic and foreign investment, both of which are fundamental to national economic vitality. Through the implementation of these comprehensive reforms, the government seeks to secure a robust economic recovery while catalyzing labor demand. A pivotal strategic objective involves elevating Indonesia's global standing in ease-of-doing-business indices; this is to be achieved by dismantling convoluted licensing procedures, expediting the traditionally arduous land acquisition process, formalizing special economic zones, and offering more compelling incentives for enterprises within free trade areas. On a broader scale, the legislation aims to augment foreign direct investment inflows, thereby fortifying the national economy and fostering an ecosystem conducive to sustained corporate growth. Additionally, the administration has articulated a specific mandate to accelerate the execution of national strategic projects, which are deemed indispensable for long-term prosperity. However, the profound emphasis on investment attraction and job creation, while vital for expansion, suggests an underlying neoliberal economic ideology driving this regulatory overhaul.

Following its legislative passage by the House of Representatives in October 2020, the bill was formally enacted into law the following November. However, its implementation was immediately shadowed by formidable legal challenges, which culminated in a landmark ruling by the Constitutional Court in November 2021. The Court declared the statute "conditionally unconstitutional," citing significant procedural irregularities that had fundamentally flawed the legislative process during its enactment.

Broadly speaking, the Omnibus Law is designed to streamline and harmonize disparate regulatory frameworks, a process that frequently entails the deregulation of specific sectors and a strategic consolidation of authority within the central government. Within the realm of industrial relations, the legislation introduces a paradigm shift that is widely perceived to diminish the robust protections formerly afforded to the workforce under Law No. 13 of 2003 concerning Manpower. A particularly salient example of this transition is found in the revised mechanism for determining the minimum wage. The previous system, which meticulously accounted for nuanced variables such as

<sup>1</sup> May Linda Iswaningsih, I Nyoman Putu Budiarta, dan Ni Made Puspasutari Ujianti, "Perlindungan Hukum Terhadap Tenaga Kerja Lokal dalam Undang-undang Nomor 11 Tahun 2020 tentang Omnibus Law Cipta Kerja," *Jurnal Preferensi Hukum* 2, no. 3 (2021): 478–84, <https://doi.org/10.22225/jph.2.3.3986.478-484>.

<sup>2</sup> Nur Ma dan Umu Habibah, "Implikasi Hukum Omnibus Law Terhadap Ketenagakerjaan di Indonesia" 1, no. 3 (2025): 557–66.

job designation, tenure, educational attainment, and professional expertise, has been superseded by a standardized formula tethered primarily to inflation rates or broader economic growth indicators. This shift underscores a fundamental transformation in the state's approach to labor compensation, prioritizing macroeconomic stability over individualized worker metrics.

Within the framework of the Omnibus Law on Job Creation, the **labor cluster** emerged as the most contentious component, drawing widespread condemnation for its perceived detrimental impact on the workforce. Following its ratification, the legislation ignited intense public debate, culminating in a series of large-scale demonstrations across various Indonesian regions between October 6 and 8, 2020. This period of civil unrest reflected a deep-seated apprehension regarding the erosion of workers' rights and the broader socio-economic implications of the statutory shifts.<sup>3</sup> Substantial amendments have been introduced to the minimum wage framework, most notably through the abolition of sectoral minimum wages at the municipal and regency levels. This legislation further recalibrates severance pay provisions, specifically by lowering the maximum compensation threshold. Moreover, the statute revises regulations concerning working hours and the deployment of outsourced labor, while simultaneously rescinding certain previously mandated leave entitlements. Such contentious clauses have incited significant pushback from the workforce and trade unions, with specific points of friction extensively documented across various legal and journalistic sources. Collectively, these shifts are poised to exert a profound influence on aggregate wage levels and the broader economic security of workers throughout Indonesia.

The Job Creation Bill has sparked significant debate, with several of its articles and clauses drawing criticism for being fundamentally contradictory and contentious. Opponents argue that the legislation exhibits a clear bias toward corporate interests, often to the detriment of the broader public. This perceived imbalance is most evident in the provisions affecting the domestic workforce, where several measures are seen as eroding established labor protections. Central to these concerns is the potential abolition of the mandatory minimum wage and the extension of permitted overtime, which, when coupled with the reduction of statutory rest periods, suggests a more demanding and less secure environment for employees. Furthermore, the bill introduces structural shifts in employment security that have raised considerable alarm among labor advocates. The implementation of indefinite contract systems and the facilitation of unilateral dismissals represent a significant departure from traditional job security, potentially leaving workers more vulnerable to market fluctuations. These internal pressures are compounded by the deregulation of foreign labor recruitment, a move that critics fear may disadvantage local professionals. Collectively, these shifts characterize a legislative framework that prioritizes economic flexibility and employer autonomy over the long-standing rights and welfare of the Indonesian labor force.<sup>4</sup>

The ongoing controversy surrounding the Job Creation Act underscores the fact that the regulation of labor rights within the employment sector remains entangled in a multitude of complex challenges. Consequently, this study seeks to critically evaluate the extent to which the policy shifts instantiated by the Act have influenced the overall welfare of the Indonesian workforce.

## B. Methodology

This research employs a comprehensive and rigorous literature review methodology to critically examine the legal reforms instituted by the Job Creation Act (Law No. 11 of 2020, as amended by Emergency Regulation No. 6 of 2023), specifically evaluating its socio-economic ramifications for labor welfare in Indonesia. The study adopts a normative qualitative approach, prioritizing the analytical interpretation of statutory frameworks and legal doctrines to dissect the shifts in the nation's contemporary legislative landscape.<sup>5</sup> centered upon a critical examination of the prevailing legislative framework alongside an extensive review of pertinent literature.<sup>6</sup> The

<sup>3</sup> Iswaningsih, Budiarta, dan Ujianti, "Perlindungan Hukum Terhadap Tenaga Kerja Lokal dalam Undang-undang Nomor 11 Tahun 2020 tentang Omnibus Law Cipta Kerja."

<sup>4</sup> Ma dan Habibah, "Implikasi Hukum Omnibus Law Terhadap Ketenagakerjaan di Indonesia."

<sup>5</sup> Zainal Arifin dan Emi Puasa Handayani, "The influence of mass media reporting on the rescue and formulation of environmental laws in Kediri," *Legal Standing: Jurnal Ilmu Hukum* 6, no. 1 (2022): 105–14.

<sup>6</sup> Siti Mutmainnah Syam, "Analisis Dampak Undang-Undang Cipta Kerja terhadap Kesejahteraan Buruh di Indonesia" 2, no. 5 (2021): 356–70, <https://doi.org/https://doi.org/10.56370/jhlg.v6i5.1032>.

evidentiary basis of this research is derived from a dual-tiered data structure comprising both primary and secondary sources. The primary dataset consists of the Job Creation Act, including its subsequent amendments, alongside pertinent Constitutional Court rulings that remain legally binding and relevant to labor law issues. Complementing this, the secondary data encompasses a broad spectrum of scholarly literature, including peer-reviewed journals, authoritative monographs, and articles from reputable media outlets. Furthermore, this study integrates comprehensive research reports and expert legal opinions specialized in the fields of labor and constitutional law to provide a robust analytical framework.<sup>7</sup>

Data acquisition was conducted through a rigorous synthesis of relevant literature, involving the meticulous examination of both statutory instruments and an array of diverse scholarly resources.<sup>8</sup> The gathered data is subjected to a descriptive-qualitative analysis, a method employed to meticulously delineate the policy substance of the Job Creation Act and the legislative shifts it has inaugurated. This analytical approach facilitates a comprehensive examination of how such regulatory transformations intersect with, and subsequently influence, the socio-economic conditions of the Indonesian workforce.<sup>9</sup>

## C. Result and Discussion

### a. Statutory Modifications in Labor Regulation: From Law No. 13/2003 to the Omnibus Job Creation Law

According to the **2024 report by Statistics Indonesia (BPS)**, the volume of registered job seekers in the country reached **909,671 individuals**. Within this demographic, approximately **33.2%**, or **301,962 people**, successfully secured employment. Concurrently, the number of recorded vacancies stood at **630,672**, representing roughly **69.3%** of the total job-seeking population. These figures underscore a profound structural discrepancy; despite the presence of openings, a significant surplus of labor remains, as the number of individuals entering the market far outstrips the available career opportunities.

Given the prevailing state of the labor market, policy frameworks governing employment have become exceptionally critical. The Job Creation Act, in particular, has emerged as a high-stakes strategic issue within the public discourse, owing to its profound implications for the livelihoods of the Indonesian workforce. Through the Omnibus Law, the government has sought to implement decisive strategic measures; consequently, the primary provisions delineated within the labor cluster are as follows:<sup>10</sup>

#### Fixed-Term Employment Agreements (PKWT)

Fixed-Term Employment Agreements (PKWT), commonly referred to as contract or non-permanent labor arrangements, characterize an employment relationship of a temporary nature. In contrast, agreements established without a predetermined expiry or on a permanent basis are classified as Indefinite-Term Employment Agreements (PKWTT), wherein the individual holds permanent employee status. Under Article 56, Paragraph (3) of the 2023 Job Creation Act, the duration for completing specific tasks within a contract is governed by Article 1338 of the Indonesian Civil Code. Critics argue that this provision engenders a significant power imbalance, as employers typically possess a more dominant bargaining position. Such an asymmetry allows firms to dictate contract durations with minimal oversight, thereby depriving workers of adequate legal safeguards. Consequently, employees are subjected to chronic job insecurity, which not only destabilizes their financial standing but also exerts a deleterious effect on their mental well-being. Furthermore, the

<sup>7</sup> Wieke Dewi Suryandari, "Implikasi Undang-Undang Cipta Kerja Sebagai Hukum Positif Di Indonesia Terhadap Perlindungan Hukum Kepada Buruh," *Jurnal Penelitian Hukum Indonesia (J-PeHI)* 3 (2022), <https://doi.org/https://doi.org/10.61689/jpehi.v3i02.373>.

<sup>8</sup> Emi Puasa Handayani, Zainal Arifin, dan Zico Junius Fernando, "Criminal Penalties in Cyberspace: Between the Development of Digital Democracy and Authoritarianism," *Indonesian Journal of Criminal Law Studies* 10, no. 1 (2025): 45–82.

<sup>9</sup> Cipta Indralestari Rachman dan Endra Wijaya, "Persetujuan Lingkungan Dalam Perspektif Hukum Administrasi Negara," *Jurnal Legal Reasoning* 6, no. 1 (2023): 42–68.

<sup>10</sup> Yitawati, Krista, Meirza Aulia Chairani, dan Angga Pramodya Pradhana. 2024. "Problematika Undang-Undang Nomor 6 Tahun 2023 Tentang Cipta Kerja Klaster Ketenagakerjaan Dalam Memberikan Perlindungan Dan Kesejahteraan Pekerja". *JURNAL RECHTENS* 13(1):97-118. <https://doi.org/10.56013/rechtens.v13i1.2671>.

ambiguity surrounding contract longevity hinders long-term career progression and financial planning. While Government Regulation No. 35 of 2021 stipulates a maximum five-year threshold for fixed-term contracts, an exception exists for instances where tasks remain unfinished within the agreed timeframe. Under these circumstances, extensions are permissible until project completion—a policy that risks institutionalizing "lifelong" contract cycles. This lack of temporal clarity arguably undermines the legal protection of the workforce, creating a precarious environment where prolonged contractual arrangements may facilitate exploitation.<sup>11</sup>

### Labour Outsourcing and Subcontracting Frameworks

**Outsourcing, or labor dispatch,** constitutes a tripartite employment arrangement wherein workers are not directly subordinated to the end-user enterprise. Instead, they are engaged via contractual agreements with a labor provider which is a legally incorporated entity mandated to possess formal authorization and valid licensure from the relevant manpower authorities.<sup>12</sup> In the Indonesian jurisdiction, the practice of labor dispatch, or outsourcing, is governed by Law No. 13 of 2003 concerning Manpower, specifically under the provisions of Articles 64, 65, and 66. These regulations are further elucidated by the Decree of the Minister of Manpower and Transmigration No. Kep. 101/Men/VI/2004, which delineates the licensing procedures for labor service providers. Central to this legal framework is a tripartite relationship involving three primary stakeholders, namely the labor supply firm, which is also recognized as the outsourcing entity or service recipient, the end-user enterprise, and the workforce engaged through mutually ratified employment agreements.<sup>13</sup> The implementation of such practices frequently results in legal ambiguity regarding liability and worker safeguards, particularly as dispatched personnel face the risk of rights infringement due to the avoidance of accountability by both service providers and user enterprises. Often, outsourcing is leveraged by corporations as a strategic mechanism for labor cost containment, frequently at the expense of employees through the provision of protection and working conditions that fall significantly below statutory standards. Previously, outsourced staff were restricted to ancillary roles unrelated to core production processes; however, this limitation was rescinded under the Job Creation Act. Historically, labor dispatch was governed by Articles 64, 65, and 66 of Law No. 13 of 2003 concerning Manpower. With the enactment of the 2023 Job Creation Act, the provisions of Articles 64 and 66 underwent substantial revisions, while Article 65 was repealed entirely. Interestingly, the original Article 64 of the 2003 Act, which allowed for the delegation of specific tasks to third parties via written subcontracting or labor supply agreements, was initially removed in the 2020 iteration of the Job Creation Law. Nevertheless, it was subsequently reinstated in the 2023 legislation with revised phrasing which explicitly states that the transfer of work must be conducted through formalized written outsourcing agreements.<sup>14</sup> This transformation reflects a fundamental shift in the legal basis for labor dispatch, transitioning from a framework previously anchored in two distinct agreement types, namely job subcontracting and labor supply services, to one predicated solely upon outsourcing agreements. Consequently, the former provisions referencing Article 1601b of the Civil Code no longer serve as the primary legal foundation for such arrangements.<sup>15</sup> The removal of these restrictions enables enterprises to utilize outsourced labor within core production activities, a domain

<sup>11</sup> Martha Yosephine Purba, Ani Wijayati, dan Binoto Nadapdap, "Perlindungan Hukum Terhadap Pekerja dalam Perjanjian Kerja Waktu Tertentu (PKWT) Ditinjau dari Undang-Undang No. 6 Tahun 2023," *Jurnal Kolaboratif Sains* 7, no. 4 (2024): 1513–20, <https://doi.org/10.56338/jks.v7i4.4767>.

<sup>12</sup> Imawanto, "Perbandingan Undang-Undang Cipta Kerja No 11 Tahun 2020 Klaster Ketenagakerjaan dengan Undang-undang No 13 Tahun 2003 tentang Ketenagakerjaan," *Unizar Recht Jjournal* 1, no. 4 (2022): 450–60.

<sup>13</sup> David Hariadi, Hesti Wulan, dan Sonya Claudia Siwu, "Analisis Yuridis Terhadap Undang-Undang Nomor 6 Tahun 2023 Tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 2 Tahun 2022 Tentang Cipta Kerja," *Jurnal Hukum to-ra: Hukum Untuk Mengatur dan Melindungi Masyarakat* 9, no. 3 (2023): 428–47, <https://doi.org/10.55809/tora.v9i3.276>.

<sup>14</sup> Febrianti, Lidia, Thamrin Sambah, dan Puti Mayang Seruni. 2023. "Komparasi Alih Daya Undang-Undang Ketenagakerjaan Dengan Undang-Undang Cipta Kerja Tahun 2023". *TINJAUAN HUKUM JURNAL USM* 6 (3): 1193-1209. <https://doi.org/10.26623/julr.v6i3.7965>

<sup>15</sup> Febrianti, Lidia, Thamrin Sambah, dan Puti Mayang Seruni. 2023. "Komparasi Alih Daya Undang-Undang Ketenagakerjaan Dengan Undang-Undang Cipta Kerja Tahun 2023". *TINJAUAN HUKUM JURNAL USM* 6 (3): 1193-1209. <https://doi.org/10.26623/julr.v6i3.7965>.

previously reserved for permanent staff, thereby undermining traditional job security. This shift potentially diminishes the collective bargaining power of the workforce and exacerbates precariousness, leading to heightened employment instability and an increased risk of exploitation. Pursuant to Article 64 of the Manpower Law, outsourcing may be implemented through formalized written instruments under two distinct frameworks, namely subcontracting agreements or labor supply service contracts.<sup>16</sup>

### Remuneration

One of the primary remuneration models currently implemented is based on either time units or performance-based output, a structure designed to align with the evolving demands and fluid dynamics of the contemporary labor market. While this approach offers considerable flexibility within the payment system, it simultaneously risks introducing significant income volatility for workers, particularly when output-based calculations lack robust protective safeguards. Such financial instability can undermine employee welfare and morale, most notably within the informal sector. Under Law No. 6 of 2023, which ratified Government Regulation in Lieu of Law No. 2 of 2022 concerning Job Creation, the wage policy framework is categorized into seven fundamental aspects. These include the establishment of minimum wage standards, the formulation of wage structures and scales, and provisions for overtime compensation. Furthermore, the legislation addresses remuneration for employees who are absent or unable to perform duties due to specific circumstances, the technical forms and methods of payment, the diverse components permissible as part of a total wage package, and the use of wages as the foundational metric for calculating various other legal rights and obligations.<sup>17</sup> Regarding the statutory minimum wage, the methodology for its calculation has been legally fortified and is now directly enshrined within **Law No. 6 of 2023**. This legislative shift effectively supersedes the previous framework, which was formerly governed at the secondary level through **Government Regulation No. 78 of 2015 concerning Wages**. By elevating these provisions from a mere administrative regulation to a primary statutory instrument, the current law establishes a more robust legal basis for wage determination within the Indonesian employment sector.<sup>18</sup> The implementation of this minimum wage calculation is intended to establish legal certainty and enhance worker protections, while simultaneously ensuring that wage adjustments remain aligned with prevailing economic fluctuations and inflationary pressures. Nevertheless, the ultimate efficacy of such a policy is heavily contingent upon rigorous execution at the regional level and the maintenance of stringent oversight. Such measures are essential to guarantee that minimum wage standards truly reflect a decent cost of living and the fundamental welfare requirements of the labor force.

### Termination of Employment and Severance Pay

Corporate efficiency represents another significant justification for the termination of employment, encompassing scenarios such as corporate mergers, organizational restructuring, or the closure of business units necessitated by sustained financial deficits. In practice, enterprises frequently cite these conditions as the legal basis for severing employment ties. However, following the enactment of Law No. 6 of 2023, the protocols governing such terminations have undergone substantial modifications. Employers are no longer mandated to seek prior government approval; instead, the requirement is fulfilled by issuing a formal notification to the affected personnel. Conversely, the legislation introduces enhanced safeguards for the workforce by maintaining a compulsory obligation for employers to provide a comprehensive written explanation detailing the specific grounds for dismissal.<sup>19</sup>

<sup>16</sup> Hana Gracia Berliana, Purwono Sungkowo Raharjo, dan Rosita Candrakirana, "Pengaturan Jenis Pekerjaan dan Jangka Waktu Pekerja/Buruh Alih Daya Pasca Berlakunya Undang-Undang Nomor 6 Tahun 2023," *Hakim: Jurnal Ilmu Hukum dan Sosial* 2, no. 2 (2024): 359–66.

<sup>17</sup> Nabiyala Risfa Izzati, "Tinjauan Penetapan Upah Minimum 2023: Evaluasi Kebijakan Pengupahan Dan Revitalisasi Dewan Pengupahan," *Masalah-Masalah Hukum* 52, no. 2 (2023): 163–73, <https://doi.org/10.14710/mmh.52.2.2023.163-173>.

<sup>18</sup> Purba, Wijayati, dan Nadapdap, "Perlindungan Hukum Terhadap Pekerja dalam Perjanjian Kerja Waktu Tertentu (PKWT) Ditinjau dari Undang-Undang No. 6 Tahun 2023."

<sup>19</sup> Yitawati, Krista, Meirza Aulia Chairani, dan Angga Pramodya Pradhana. 2024. "Problematisasi Undang-Undang Nomor 6 Tahun 2023 Tentang Cipta Kerja Klaster Ketenagakerjaan Dalam Memberikan Perlindungan Dan Kesejahteraan Pekerja". *JURNAL RECHTENS* 13(1):97-118. <https://doi.org/10.56013/rechtens.v13i1.2671>

Within the framework of labor law, an employment relationship is fundamentally characterized as a legal bond between an employer and an employee established through a formal labor agreement. This relationship is predicated upon three essential criteria, namely the performance of specific work, the provision of remuneration, and the presence of subordinative instructions issued by the employer. Law No. 6 of 2023 reinforces the collective obligation of employers, workers, labor unions, and the government to prioritize the prevention of employment termination. In instances where such a measure becomes unavoidable, the legislation mandates that the employer must formally communicate the intent and underlying rationale for the termination to the affected worker.<sup>20</sup>

Should an employee contest a termination notice, the resolution must be pursued through bipartite negotiations between the employer and the individual or their respective labor union. In instances where a consensus remains elusive, the matter is escalated through the formal mechanisms established for industrial relations dispute resolution. Furthermore, Law No. 6 of 2023 explicitly prohibits dismissals predicated on specific protected grounds; should such prohibitions be contravened, the termination is declared null and void by operation of law, thereby obligating the employer to reinstate the affected worker to their former position. Regarding financial compensation, the *Kamus Besar Bahasa Indonesia* (KBBI) defines severance pay as a sum disbursed to employees upon the dissolution of their employment contract to serve as a form of transitional support. While the specific calculations for such entitlements were previously enshrined within Law No. 13 of 2003 concerning Manpower, these provisions have since been transitioned into Government Regulation (PP) No. 35 of 2021 as part of the implementing framework for the Job Creation Act. This legislative shift is intended to afford greater flexibility in calibrating wage and severance policies against the fluid dynamics of the contemporary labor market. According to the provisions set forth in Article 156, Paragraph 2 of Law No. 6 of 2023, the regulatory framework establishes a standardized scale for the calculation of severance pay. This legislative mandate stipulates that the specific quantum of severance entitlement is determined primarily by the duration of the individual's service period. Within this legal context, the statute delineates a tiered compensation structure which ensures that the financial remuneration owed to an employee upon the termination of their employment corresponds directly to their cumulative years of tenure. Consequently, this article serves as the definitive legal benchmark for calculating the mandatory exit compensation to which workers are entitled under the prevailing Indonesian manpower regulations.:

- a. A tenure of less than one year entitles the employee to one month of wages.
- b. A tenure of at least one year but less than two years entitles the employee to two months of wages.
- c. A tenure of at least two years but less than three years entitles the employee to three months of wages.
- d. A tenure of at least three years but less than four years entitles the employee to four months of wages.
- e. A tenure of at least four years but less than five years entitles the employee to five months of wages.
- f. A tenure of at least five years but less than six years entitles the employee to six months of wages.
- g. A tenure of at least six years but less than seven years entitles the employee to seven months of wages.
- h. A tenure of at least seven years but less than eight years entitles the employee to eight months of wages.
- i. A tenure of eight years or more entitles the employee to a maximum of nine months of wages.

### **Unemployment Insurance Benefits (JKP)**

Law No. 6 of 2023 further reinforces the imperative of implementing social security for the Indonesian workforce. Historically, the social security framework was established under Law No. 40

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<sup>20</sup> Sutrisno, Sutrisno, Dayat Limbong, dan Yusuf Hanafi Pasaribu. 2024. "Pemutusan Hubungan Kerja (PHK) Akibat Pelanggaran Perjanjian Kerja Ditinjau Dari Undang-Undang Nomor 6 Tahun 2023 Pt Tekno Cipta Dwidaya". *Fiat Iustitia : Jurnal Hukum* 5 (1):132-42. <https://ejournal.ust.ac.id/index.php/FIAT/article/view/4145>. Ralph Adolph, "濟無No Title No Title No Title," 2016, 1–23.

of 2004 concerning the National Social Security System, which was enacted to ensure the fulfillment of basic dignified living requirements for participants and their dependents. Social security serves as a vital protective mechanism, providing income or financial assistance to workers who experience a cessation of earning capacity due to circumstances beyond their control, including illness, occupational accidents, maternity, advanced age, or death.<sup>21</sup> With the ratification of Law No. 6 of 2023, the statutory obligation for employers to enroll their workforce in social security programs has been reinforced. This comprehensive framework incorporates health insurance, work-related accident insurance, and death benefits, alongside the newly integrated Job Loss Guarantee (JKP), encompassing a robust protective net for the domestic labor force.

The Job Loss Guarantee (JKP) represents a novel initiative introduced as an expansion of the national social security framework. This program is engineered to provide a safety net for workers affected by employment termination, offering a multi-faceted benefit package that includes cash assistance, access to labor market information, and vocational retraining. The emergence of JKP reflects a strategic government shift toward holistic protection that spans both active employment and post-termination periods, thereby safeguarding the economic resilience of individuals and households alike. Such a policy underscores a state commitment to inclusive social protection, extending coverage to contract and part-time workers who were previously susceptible to systemic vulnerability. Furthermore, the integration of social security programs with vocational training and skill development constitutes a strategic response to contemporary labor market dynamics. Consequently, the successful implementation of this initiative is heavily predicated on the efficacy of regulatory oversight and the active engagement of both employers and the workforce. Such collaboration is essential for the realization of a social protection system that is equitable, adaptive, and sustainable in the long term.

### **Working Hours, Rest Periods, and Statutory Leave**

Law No. 11 of 2020 concerning Job Creation delineates the statutory working hours for employees by offering two distinct operational frameworks that enterprises may adopt according to their specific requirements. The first configuration involves a six-day workweek with a daily duration of seven hours, thereby totaling 40 hours per week. Alternatively, the second scheme facilitates a five-day workweek consisting of eight-hour shifts, which similarly culminates in a 40-hour weekly aggregate. Under these regulations, every employee is entitled to reasonable working hours alongside mandatory periods for rest, leave, and public holidays. Specifically, this encompasses a standard 40-hour week, a daily one-hour interval for meals and personal breaks, an annual leave entitlement of 25 working days, and adherence to government-mandated public holidays. While this legislation grants corporations significant operational flexibility, it strictly maintains the maximum permissible working thresholds. Furthermore, the Job Creation Act codifies mandatory rest periods, stipulating a minimum of 30 minutes of recuperation after four hours of continuous labor. Weekly rest entitlements are also clearly defined, providing for one day of leave under the six-day system and two days for those on a five-day schedule. Any labor performed beyond these prescribed limits is classified as overtime, necessitating financial compensation in accordance with prevailing legal standards. Regarding the remuneration for such labor, overtime pay is calculated at a minimum rate of 1.5 times the hourly wage for the initial hour, with progressive increments applied to subsequent hours. Higher premiums are also enforced should overtime occur on public holidays or during weekly rest intervals. Through these provisions, the Act seeks to harmonize corporate operational demands with the fundamental rights of employees, ultimately fostering a professional environment that is both equitable and productive.

### **Indonesian Migrant Workers (PMI)**

The protection of Indonesian Migrant Workers (PMI) is specifically governed by Law No. 18 of 2017 concerning the Protection of Indonesian Migrant Workers. This legislation is designed to provide a comprehensive guarantee of safeguards for these individuals, spanning the pre-departure phase, the duration of their employment abroad, and their eventual repatriation. Furthermore, the

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<sup>21</sup> A E R Helweldery, "... Terhadap Pelaksanaan Jaminan Sosial Ketenagakerjaan Menurut Undang-Undang No. 24 Tahun 2011 Tentang Badan Penyelenggara Jaminan Sosial (BPJS)," *Lex Et Societatis* VII, no. 5 (2019).

protections extended to Prospective Migrant Workers (CPMI), active workers, and their families are intended to ensure the holistic fulfillment of their rights throughout every stage of the migration cycle, including the periods before, during, and after placement. This framework encompasses the legal, economic, and social dimensions of their welfare.<sup>22</sup> The provisions of this legislation encompass the fundamental rights of Indonesian Migrant Workers (PMI), the respective mandates of central and regional governments, the governance of placement procedures, and the statutory obligations of recruitment agencies. However, following the enactment of Law No. 6 of 2023, which ratified Government Regulation in Lieu of Law (Perppu) No. 2 of 2022 concerning Job Creation, several stipulations within Law No. 18 of 2017 have undergone significant modification. Pivotal adjustments within the current regulatory framework include the transfer of licensing authority from the Ministerial level to the Central Government and the implementation of a centralized business licensing system. Furthermore, the legislation has abolished the fixed validity periods for licenses and streamlined administrative requirements for placement firms. Under these revised protocols, even established agencies that secured their licensure prior to the new regulations are now mandated to synchronize their operations with the prevailing licensing standards.<sup>23</sup> These amendments signify a definitive policy shift toward regulatory streamlining and bureaucratic efficiency. Nevertheless, it remains imperative to ensure that such transitions do not compromise the substantive protections afforded to migrant workers, as mandated under Law No. 18 of 2017.

These two legislative acts diverge significantly in their underlying objectives regarding labor regulation. The Manpower Law prioritizes comprehensive labor development, seeking to enhance the welfare of workers and their families while simultaneously maintaining the equilibrium and sustainability of the business ecosystem. This statute emphasizes the holistic protection of labor rights, encompassing the regulation of minimum wages, social security provisions, working hour stipulations, and industrial dispute resolution mechanisms, all aimed at fostering an equitable and harmonious industrial relationship. Conversely, the Job Creation Act adopts a more flexible and pragmatic approach, prioritizing ease of doing business and extensive job creation as the primary catalysts for bolstering national investment and competitiveness. This paradigm shift is evidenced by the dilution of certain protective regulations that were perceived as impediments to investment and labor market fluidity. Nevertheless, these legislative shifts have ignited critical discourse regarding the potential erosion of labor protections, particularly concerning fixed-term employment contracts (PKWT), labor dispatch, and remuneration frameworks that may exacerbate job insecurity and undermine the long-term welfare of the workforce. Consequently, the Job Creation Act endeavors to strike a equilibrium between corporate exigencies and employee safeguards, though there remains a distinct possibility that the level of protection afforded to workers may diminish relative to the preceding Manpower Law. This revised paradigm necessitates rigorous oversight and robust enforcement to ensure that the objective of stimulating employment does not compromise fundamental labor rights. Ultimately, such diligence is essential for the cultivation of an inclusive and sustainable employment ecosystem.

### **The Socio-Economic Implications of Policy Shifts on Workforce Welfare Implications for Employee Welfare**

The repercussions of the Job Creation Act (JCA) on labor welfare are considered profound, particularly regarding the potential erosion of worker protections. This legislative shift is perceived to have diminished such safeguards through the modification of several articles originally established under Manpower Law No. 13 of 2003. Notable examples include the abolition of statutory limits on the maximum duration of fixed-term employment contracts (PKWT) and the reclassification of long-service leave as an optional benefit contingent upon corporate discretion. Consequently, the labor sector has undergone a transformation that fosters precarious conditions for employees, specifically concerning the regulatory framework of fixed-term agreements. A pivotal alteration resides in the revised duration and the removal of specific provisions governing the renewal and extension of these

<sup>22</sup> Dona Budi Kharisma, "Optimalisasi Pemerintah Desa dalam Pelindungan Pekerja Migran Indonesia," *Rechts Vinding: Media Pembinaan Hukum Nasional* 12, no. 1 (2023): 77–85.

<sup>23</sup> Yitawati, Krista, Meirza Aulia Chairani, dan Angga Pramodya Pradhana. 2024. "Problematika Undang-Undang Nomor 6 Tahun 2023 Tentang Cipta Kerja Klaster Ketenagakerjaan Dalam Memberikan Perlindungan Dan Kesejahteraan Pekerja". *JURNAL RECHTENS* 13(1):97-118. <https://doi.org/10.56013/rechtens.v13i1.2671>.

contracts. Originally, under the previous Manpower Law, fixed-term engagements were restricted to a maximum of three years with only a single permissible extension. Furthermore, the JCA has excised several stipulations regarding severance pay, thereby exposing terminated employees to the risk of receiving either no compensation or significantly reduced amounts. Whereas the 2003 Act meticulously regulated eleven essential facets of wage policy—ranging from minimum and overtime pay to leave entitlements and severance rights—the JCA has condensed these into seven core points. Crucially, this new synthesis omits severance pay as a distinct component, representing a significant divergence that directly impacts the protection of labor rights, most notably for those facing redundancy.<sup>24</sup> Furthermore, the Job Creation Act rescinded several articles pertaining to the calculation of severance pay, thereby creating a scenario where employees facing termination may potentially receive diminished compensation or be deprived of such entitlements entirely. In a counterbalancing move, the government introduced the Job Loss Guarantee (JKP) program as a protective measure for displaced workers, predicated on the objective of stimulating broader employment opportunities and bolstering the competitive edge of the Indonesian labor force. Nevertheless, the efficacy of this initiative remains a subject of intense deliberation amid persistent anxieties regarding the perceived erosion of fundamental labor protections.

### Implications for Remuneration and Income

The Job Creation Act has introduced a series of transformative adjustments to the Indonesian wage system, most notably through the substantive revision of Article 88 and the total repeal of Article 89. These legislative modifications are further augmented by the insertion of Articles 88B, 88C, and 88D, which establish new parameters for compensation. Furthermore, the government has officially discontinued the nomenclature of Regional Minimum Wage (UMR), opting instead for a binary classification consisting of the Provincial Minimum Wage (UMP) and the Regency/Municipal Minimum Wage (UMK).

Dalam versi awal UU Cipta Kerja, penghapusan Komponen Hidup Layak (KHL) sebagai acuan penghitungan upah minimum, serta dihilangkannya ketentuan mengenai Upah Minimum Sektor Kabupaten/Kota (UMSK) dan Upah Minimum Sektor Provinsi (UMSP), menimbulkan kekhawatiran terhadap penurunan daya beli pekerja karena berkurangnya perlindungan terhadap pendapatan minimum yang layak. Metode penetapan UMP dan UMK mengalami penyesuaian, di mana UMP ditentukan berdasarkan kondisi ekonomi dan ketenagakerjaan nasional meliputi indikator seperti daya beli, penyerapan tenaga kerja, dan upah median sedangkan UMK atau MSE mengacu pada kondisi ekonomi daerah masing-masing, seperti pertumbuhan ekonomi dan inflasi, sehingga menunjukkan adanya perbedaan pendekatan dalam penentuan upah minimum antarwilayah.<sup>25</sup> Upah minimum ditentukan dari upah minimum provinsi yang diterapkan oleh gubernur. Penambahan pasal 88E dan 90B ketentuan upah minimum bagi usaha mikro dan kecil serta industri padat karya diatur secara terpisah. Dampak ke pekerja upah minimum bisa lebih rendah dari sebelumnya sebagaimana yang ditentukan oleh upah minimum kabupaten/kota dan sektoral upah minimum di usaha mikro dan kecil serta industri padat karya bisa lebih rendah dari pada ketentuan upah minimum yang berlaku. Perbedaan upah minimum antar daerah di Indonesia turut memperbesar kesenjangan sosial dan ekonomi antarwilayah. Pekerja yang berada di wilayah dengan Upah Minimum Provinsi (UMP) atau Upah Minimum Kabupaten/Kota (UMK) yang rendah sering kali menghadapi kesulitan dalam memenuhi kebutuhan dasar seperti makanan, tempat tinggal, dan pendidikan. Ketimpangan ini mendorong terjadinya arus migrasi tenaga kerja ke daerah dengan tingkat upah yang lebih tinggi. Namun, perpindahan ini memberikan tekanan tambahan pada daerah tujuan, terutama terhadap infrastruktur, layanan publik, dan ketersediaan sumber daya, yang pada akhirnya dapat memunculkan masalah sosial dan ekonomi baru.<sup>26</sup>

<sup>24</sup> Dian Sudiantini et al., “Menganalisa Hubungan Undang-Undang Cipta Kerja Dengan Kesejahteraan Karyawan,” *CEMERLANG: Jurnal Manajemen dan Ekonomi Bisnis* 3, no. 2 (2023): 308–16, <https://doi.org/10.55606/cemerlang.v3i2.1216>.

<sup>25</sup> Syam, “Analisis Dampak Undang-Undang Cipta Kerja terhadap Kesejahteraan Buruh di Indonesia.”

<sup>26</sup> Rastri Paramita, “Menilik Upah Minimum dan Ketimpangan Pendapatan di Indonesia,” *Jurnal Budget: Isu Dan Masalah Keuangan Negara* 6 (2021): 84–200.

Critics argue that the Job Creation Act potentially undermines labor protections through significant amendments to Law No. 13 of 2003 concerning Manpower. Key alterations include the abolition of time limits for fixed-term employment contracts, known as PKWT, and the reclassification of long-term leave as an optional provision. Such shifts have raised substantial concerns regarding potential exploitation and the exacerbation of job insecurity among the workforce. Furthermore, the removal of specific clauses pertaining to severance pay may result in a reduction of termination compensation. The recalibration of the minimum wage formula, which is now anchored to inflation or economic growth, alongside the elimination of sectoral minimum wages (UMSK), is feared to stifle wage appreciation and widen the existing income gap. Conversely, the government maintains that these policy reforms are designed to stimulate job creation and bolster national competitiveness. To mitigate the social impact of these changes, the administration has introduced the Job Loss Security (JKP) program, which is intended to provide a safety net for individuals facing employment termination.

### Implications for Occupational Security and Job Stability

The Job Creation Act has introduced transformative shifts that significantly impact job security and contractual certainty for the Indonesian workforce. While the administration asserts that the legislation is designed to stimulate employment and bolster national competitiveness, several provisions have sparked grave concerns regarding a potential erosion of labor protections and heightened systemic instability. A primary point of contention involves the amendments to Fixed-Term Employment Agreements (PKWT), which critics argue diminish worker safeguards by abolishing previous statutory duration limits. By removing these maximum terms, the law risks trapping employees in a cycle of perpetual contract work, depriving them of a clear trajectory toward permanent status. Consequently, this framework heightens the risk of exploitation and unilateral termination, as enterprises now enjoy expanded flexibility to dissolve employment relationships without the rigorous obligations associated with permanent staff. Furthermore, the revised minimum wage structures and the dissolution of Sectoral Minimum Wages (UMSK) are feared to stagnate wage growth and exacerbate socio-economic disparities. The legislative shift toward a more liberalized outsourcing system, evidenced by the repeal of Articles 64 and 65 along with the modification of Article 66 of Law No. 13 of 2003, was originally intended to streamline labor protection protocols. Following the implementation of Law No. 11 of 2020, it is anticipated that these concessions in the outsourcing regime will drive operational efficiency and productivity, eventually leading to a more sophisticated evolution of the labor dispatch sector.<sup>27</sup>

The government maintains that this legislation is designed to generate broader employment opportunities and bolster Indonesia's economic competitiveness. As a novel form of labor protection, the Job Creation Act introduced the Unemployment Insurance Program (JKP) to serve as a safety net for the workforce. Mandated by Law No. 11 of 2020 and subsequently amended by Law No. 6 of 2023, the JKP is administered by the Social Security Administrative Body for Employment (BPJS Ketenagakerjaan) with the primary objective of assisting personnel affected by employment termination. Nevertheless, the efficacy of the JKP in mitigating the potential adverse effects of increased labor flexibility remains a subject of significant debate, necessitating both robust implementation and stringent oversight. Such concerns are frequently articulated by diverse stakeholders, including labor unions and academics, who question whether the program is sufficiently comprehensive to safeguard workers amidst the ongoing liberalization of labor regulations.<sup>28</sup> The **Job Loss Guarantee (JKP)** scheme is strategically engineered to provide cash benefits, facilitate access to labor market information, and offer vocational training for workers subjected to termination, thereby serving as a mechanism to expedite their re-entry into the workforce. Nevertheless, the efficacy of the JKP in mitigating the potential deleterious consequences of heightened labor flexibility

<sup>27</sup> Dean Fadhurohman Hafizh et al., "Analisis Praktik Outsourcing Dalam Perspektif Undang-Undang Cipta Kerja," *Jurnal LEMBANNAS RI* 10, no. 3 (2022): 64–75, <https://doi.org/10.55960/jlri.v10i3.298>.

<sup>28</sup> Esther Oktoviona Wakman dan Mariana Puspa Dewi, "Implementasi Work Life Balance dalam Meningkatkan Kinerja Pegawai pada Kantor Pelayanan Pajak Pratama Singosari," *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam* 6, no. 2 (2025): 669–84, <https://doi.org/10.47467/elmal.v6i2.7061>.

remains a subject of significant contention. Its success is contingent upon robust implementation frameworks and the rigorous oversight of regulatory bodies.

### Implications for Working Conditions and Statutory Labor Rights

The normative rights of the workforce are enshrined within various Indonesian legislative instruments, including the Job Creation Act. However, the Constitutional Court subsequently mandated a judicial review of the Act, whereby the government was directed to undertake comprehensive revisions within a two-year timeframe.<sup>29</sup> Under the preceding legislative framework, specifically Law No. 13 of 2003 concerning Manpower, provisions for long-service leave granted to employees with six years of continuous tenure, as well as menstrual leave for female workers, were explicitly mandated. However, following the repeal of the provisions in Article 79, Paragraph (2), Point (d) of the Manpower Law, the entitlement to long-service leave is now entirely contingent upon corporate policy. Consequently, such rights must be established through individual employment contracts, company internal regulations, or collective labor agreements.<sup>30</sup> This development has the potential to compromise the legal standing of the workforce, as there is no longer a statutory guarantee mandating the provision of long-service leave unless it is explicitly codified within a company's internal agreements. It is a well-established premise that the bargaining positions of employees and employers are inherently asymmetrical; consequently, it becomes entirely plausible that a firm might omit the entitlement to such leave from employment contracts, corporate regulations, or collective bargaining agreements.<sup>31</sup> Furthermore, the Job Creation Act has effectively removed the provisions of Article 84 of the Manpower Law, which previously guaranteed the right of female employees to receive compensation during menstrual, pregnancy, and maternity leave. While certain interpretations suggest that these entitlements have not been abolished but rather devolved to individual company regulations, the shift remains a point of contention. Additionally, the Act extends the maximum duration of overtime to four hours per day and eighteen hours per week, while simultaneously recalibrating the weekly rest pattern to a single day off for every six working days. This modification essentially eliminates the previous statutory mandate for a five-day work week accompanied by a two-day rest period.

Critics also argue that these legislative amendments severely curtail the influence of labor unions. Under the new framework, enterprises are no longer obligated to engage in collective bargaining or consultations with labor unions prior to initiating employment terminations. Consequently, this removal of mandatory negotiation is perceived as a significant erosion of collective labor power, potentially granting employers a disproportionate level of dominance within the industrial relationship.

### Consequences for Trade Union Rights and Industrial Relations

The **Job Creation Act** has exerted a profound influence on the prerogatives of the workforce regarding their right to organize and the fortification of their collective interests through the mechanisms of industrial relations.<sup>32</sup> One of the most pivotal modifications is the revocation of the mandate requiring enterprises to engage in consultations with labor unions prior to the initiation of employment termination. This provision formerly served as a fundamental safeguard for employees, significantly bolstering their bargaining leverage relative to their employers. Furthermore, the expansion of contractual flexibility, specifically concerning Fixed-Term Employment Agreements

<sup>29</sup> Hanny Jermias Onisimus Salamena dan Moh. Saleh, "Perubahan Hak Normatif Pekerja Dalam Pemutusan Hubungan Kerja Berdasarkan Undang-Undang Cipta Kerja," *ALADALAH: Jurnal Politik, Sosial, Hukum dan Humaniora* 3, no. 2 (2025): 1–13, <https://doi.org/10.59246/aladalah.v3i2.1188>.

<sup>30</sup> Ni Made dan Devi Aselina Putri, "Implementasi Perlindungan Hukum Hak Cuti Melahirkan Terhadap Pekerja Perempuan Di Villa Surya Mas," *Jurnal Kertba Semaya* 9, no. 5 (2021): 895–903.

<sup>31</sup> Mulyani Djakaria, "Perdagangan Perempuan Dan Anak Serta Tindak Pidana Korupsi Sebagai Kejahatan Transnasional Terorganisir Berdasarkan Konvensi Parlemo," *Jurnal Bina Mulia Hukum* 3, no. 1 (2018): 1–14, <https://doi.org/10.23920/jbmh.v3n1.2>.

<sup>32</sup> Zainal Arifin, Emi Puasa Handayani, dan Naufal Ghani Bayhaqi, "An Examination of the Application of Law No. 2 of 2012 Regarding Land Procurement for Projects in the Public Interest, Focusing on the Resolution of Land Disputes for the Construction of Kediri Airport," *International Asia Of Law and Money Laundering (IAML)* 3, no. 2 (2024): 70–79, <https://doi.org/10.59712/iaml.v3i2.89>.

(PKWT) and labor dispatch, has further eroded the collective strength of the workforce. A substantial portion of the labor force is now confined to precarious employment statuses, which inherently complicates their ability to affiliate with unions or advocate for their rights collectively. This shift has precipitated a structural vulnerability within industrial relations, ultimately diminishing the capacity of laborers to secure equitable negotiation outcomes.<sup>33</sup> Law No. 21 of 2000 concerning Trade Unions is perceived as lacking sufficient responsiveness to emerging employment models, notably gig workers and remote professionals, both of whom have seen significant growth within the digital era. These gig workers, characterized as freelancers providing short-term services to various enterprises via digital platforms, often operate without stable employment relationships and frequently lack the social protections afforded to permanent staff. The current legislation remains disproportionately centered on conventional formal employment paradigms, a focus that leaves many modern laborers without adequate accommodation within the legal framework of unionization rights.<sup>34</sup> This situation engenders a significant disparity between the formal right to organize and the substantive capacity of trade unions to secure meaningful outcomes for their constituents. Furthermore, the erosion of union bargaining power reflects the profound challenges inherent in establishing a balanced and equitable system of industrial relations.

#### D. Conclusion

The recalibration of labor policies within the Job Creation framework, specifically under Law No. 11 of 2020 and Government Regulation in Lieu of Law No. 6 of 2023, has exerted a profound influence on the welfare of the Indonesian workforce. While the primary objective of the executive branch is to stimulate investment and catalyze job creation through regulatory simplification, this study identifies a potential erosion of worker protections relative to the benchmarks established by Manpower Law No. 13 of 2003. Specifically, the findings highlight a heightened sense of precariousness within fixed-term employment contracts, which carries the inherent risk of perpetuating indefinite contractual cycles and exploitative practices. Furthermore, the expansion of labor dispatch, or outsourcing, raises significant concerns regarding the diminishment of job security and professional standing.

Moreover, revisions to the wage structure, characterized by the abolition of sectoral minimum wages and the transition toward adjustments based on inflation or economic growth, may lead to a depreciation of real wages in certain regions, notwithstanding the introduction of the Unemployment Insurance Program (JKP) as a compensatory safeguard. The modified mechanisms for employment termination and severance pay, alongside the decentralization of normative rights such as long-service leave to corporate discretion, further jeopardize the fundamental rights and compensation of employees. Ultimately, the Job Creation Act shifts the legislative focus from comprehensive labor protection toward the facilitation of business operations, potentially precipitating an imbalance between corporate interests and labor rights.

It is recommended that an evaluation be conducted regarding the efficacy of the JKP program in sustaining worker welfare post-termination. Additionally, a rigorous long-term impact analysis is required to assess how changes in fixed-term contracts and outsourcing affect employment stability, productivity, and the overall well-being of the labor force.

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<sup>33</sup> Zainal Arifin, Zico Junius Fernando, dan Emi Puasa Handayani, "Implikasi Hukum Perubahan Kedua Undang-Undang Informasi dan Transaksi Elektronik: Menyeimbangkan Kebebasan Berpendapat dan Partisipasi Publik dalam Demokrasi Digital: Legal Implications of The Second Amendment to The Electronic Information and Transaction," *LITIGASI* 26, no. 1 (2025): 192–227.

<sup>34</sup> Zainal Arifin, Naufal Ghani Bayhaqi, dan David Pradhan, "Urgency supreme court circular letter number 2 of 2023 in the judicial process of interfaith marriage registration," *Journal of Law and Legal Reform* 5, no. 1 (2024): 137–78, <https://doi.org/10.15294/jllr.vol5i1.2101>.

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