

IMPLICATIONS OF LAW NO. 6 OF 2023 ON INDONESIA'S EMPLOYMENT SYSTEM

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Abstract

Law No. 6 of 2023 is a Legal Regulation that regulates the scope of Job Creation where the Law is a regulation of Law No. 11 of 2020. However, the existence of Law No. 6 of 2023 has been opposed by the public since the drafting process took place, the public considered that the legal regulation did not fully guarantee the rights that had been regulated, such as different provisions and implementation of working hours, poor treatment, unclear minimum wages; PKWT employment relationships are determined based on work agreements (workers can be laid off at any time because this is not regulated in the Job Creation Law, only based on work agreements) and the expansion of outsourcing practices for all types of work. This is a problematic reason and is considered non-participatory. The presence of this law has a significant impact on the employment system in Indonesia. This study aims to analyze the implications of the existence of Law No. 6 of 2023 on laborers based on the employment system in Indonesia.

Keywords : Non-permanent contracts, Job Creation Law, Employment System

INTRODUCTION

The employment system in Indonesia plays an important role in supporting national social and economic development. With a workforce of more than 140 million people in 2023, Indonesia has great potential to drive economic growth based on labor productivity. The relationship between workers, employers, and the government is a main pillar in a healthy and fair employment system, as mandated in Article 27 paragraph (2) of the 1945 Constitution of the Republic of Indonesia, which states that every citizen has the right to work and decent living. This principle reflects the state's commitment to protecting workers' rights while creating a conducive business climate for entrepreneurs. However, major challenges continue to arise in creating a balance between labor protection and industrial relations flexibility. Globalization, digitalization, and regional economic competition have prompted the government to reform employment regulations to be more adaptive to the needs of the modern labor market. One of the major steps taken is through the ratification of Law No. 6 of 2023, which is a continuation of the Government Regulation in Lieu of Law (Perppu) No. 2 of 2022 concerning Job Creation (Suparno, 2020).

This law aims to increase investment attractiveness, expand employment opportunities, and improve the competitiveness of Indonesian workers in the global arena. However, this regulation has also drawn criticism, especially regarding the reduction in protection of workers' rights. One of the main issues in the spotlight is the regulation of Fixed-Term Employment Agreements (PKWT), which is considered to weaken workers' bargaining position (Nugroho, 2022). In the previous employment system, PKWT was strictly regulated to ensure protection for contract workers so that they were not trapped in temporary employment relationships without guarantees. However, with the flexibility introduced by Law No. 6 of 2023, the duration of the contract can be extended longer, opening the potential for job uncertainty for labor workers. This picture reflects a major challenge in the Indonesian employment system, namely how to create regulations that can attract investment without sacrificing basic workers' rights. Amid criticism of the PKWT regulation, there is an urgent need to formulate a mitigation strategy that can reduce the negative impacts of this flexible

employment relationship. This strategy must be in line with the principle of social justice as stipulated in Article 33 of the 1945 Constitution, which places public welfare as the main priority in economic policy.

This law has brought about major changes in the employment system in Indonesia. As part of the policy Omnibus Law, This regulation aims to create flexibility in the labor market, increase investment attractiveness, and encourage inclusive economic growth. However, the changes have also drawn controversy, especially regarding the issue of labor protection which is considered to have been reduced due to the excessive flexibility in several aspects of employment, such as employment relations, Fixed Term Employment Agreement (PKWT) mechanisms, and wages.

One significant change is the rearrangement of the PKWT mechanism. Previously, PKWT was strictly regulated through Law No. 13 of 2003 concerning Manpower to ensure protection for contract workers. The regulation limits the duration of the contract and the number of extensions to prevent exploitation of workers in temporary employment relationships. However, Law No. 6 of 2023 introduces greater flexibility by extending the maximum duration of the contract and allowing contract extensions without clear limitations (Fauzia, 2021). This raise concerns that workers will be trapped in uncertain work situations, with no opportunity to obtain permanent work status. This condition is contrary to the principle of justice in Article 27 paragraph (2) of the 1945 Constitution, which guarantees the right to decent work.

In addition, this new regulation provides flexibility in employment relationships that allows companies to more easily adjust their workforce according to business needs. Although it is considered to support company efficiency and competitiveness, this policy also has negative impacts on workers, especially in terms of job stability and guarantees of protection of labor rights. For example, the implementation of the termination of employment (PHK) mechanism has become simpler and has minimal legal obstacles, which can reduce workers' sense of security regarding the sustainability of their jobs. Changes in wage regulations are also a central issue. In Law No. 6 of 2023, the determination of the minimum wage is more flexible by considering regional productivity and competitiveness. Although this aims to encourage investment in areas with low economic levels, this policy is feared to lower wage standards in some areas. Inadequate wages have the potential to increase social and economic inequality, especially for workers in the informal sector and labor-intensive industries that have low bargaining power (Fauzia, 2021).

Furthermore, the implementation of the Job Loss Guarantee (JKP) program in this regulation is expected to be a solution to the risks arising from the flexibility of employment relationships. This program provides protection in the form of job training and access to job market information for workers who are laid off. However, the effectiveness of this program is still in doubt because it depends on good management and clarity of the benefit distribution mechanism. The dynamics of this change show that Law No. 6 of 2023 has a complex impact on the employment system in Indonesia. The flexibility offered is a double-edged sword. On the one hand, it encourages investment and economic competitiveness, but on the other hand, it has the potential to reduce the protection of workers' rights. Therefore, a critical analysis of the implications of this change is important to ensure that this regulation remains in line with the principles of social justice and workers' welfare.

The ratification of this Law is claimed by the government to be a strategic step by the government to encourage increased competitiveness of the Indonesian economy. With the background of globalization and increasingly complex labor market dynamics, this regulation aims to create flexibility in employment relations, expand employment opportunities, and attract greater investment into the country. This reform is projected to strengthen the investment climate by reducing bureaucratic obstacles and providing flexibility to entrepreneurs in managing industrial relations.

On the positive side, the existence of Law No. 6 of 2023 is expected to be able to create new job opportunities for Indonesian workers. The flexibility provided through the Fixed-Term Employment Agreement (PKWT) mechanism can encourage companies to more easily recruit workers according to their needs, especially in sectors that are seasonal or labor-intensive. This also supports the efficiency of the labor market in responding to the challenges of the digitization and

automation era, where the need for labor is often dynamic and not permanent. In addition, the simplification of labor regulations can provide a positive signal for foreign investors to invest their capital, thus creating a positive impact on the national economy. However, this change also presents serious challenges, especially in the context of labor protection. One of the main highlights is the potential for reducing workers' rights due to the flexibility of employment relationships that are too broad. For example, looser PKWT regulations allow companies to extend the duration of contracts without clear limitations, thereby weakening workers bargaining position. In the long term, this can create job uncertainty (job insecurity) which has a negative impact on worker welfare. In addition, simplifying the termination of employment (PHK) process opens space for companies to more easily carry out layoffs for reasons of efficiency, which risks increasing unemployment rates (Nugroho, 2022).

Through the description above, it is considered very important to further study Law No. 6 of 2023 because it has two opposing sides. On the one hand, it provides flexibility to support economic growth, but on the other hand, it presents the potential for reducing labor protection. Therefore, an analysis of the positive and negative impacts of this regulation is very important. Not only to understand its implications for labor workers, but also to formulate effective mitigation strategies to ensure that this change remains in line with the principles of social justice and protection of workers' human rights as mandated by the 1945 Constitution.

Based on this reality, the formulation of the problems in this research include:

1. Are the Regulations in Law No. 6 of 2023 in accordance with the employment system in Indonesia?
2. What is the strategy to overcome the negative impacts of PKWT based on Law No. 6 of 2023?

METHOD

This study uses a qualitative approach in exploring the understanding of the implications of the existence of Law No. 6 of 2023 on labor workers. This study will conduct a comprehensive review based on the employment system in Indonesia in line with theoretical literature studies.

RESULTS AND DISCUSSION

1. Are the Regulations in Law No. 6 of 2023 in accordance with the employment system in Indonesia?

The regulations in Law No. 6 of 2023 which stipulates Perppu No. 2 of 2022 concerning Job Creation into law have advantages and disadvantages in relation to the employment system in Indonesia. This law is considered appropriate in terms of encouraging workforce flexibility, creating jobs, and increasing investment by simplifying regulations and introducing programs such as Job Loss Insurance (JKP). However, on the other hand, this regulation has been criticized because it is considered to weaken worker protection, especially in regulating the contract work system, outsourcing, minimum wages, and termination of employment (PHK). In addition, the process of forming this law is considered to not have involved workers and civil society enough, so there are concerns that workers' interests will not be accommodated. Thus, although this law has the potential to improve the employment system, its success is highly dependent on fair implementation and strict supervision.

To ensure that Law No. 6 of 2023 is truly in accordance with the employment system in Indonesia, it is necessary to strengthen protection for workers, especially in terms of certainty of work status, welfare, and access to normative rights. In addition, the government needs to ensure that the implementation of this regulation not only benefits employers, but also creates balance in industrial relations. Periodic evaluations, active involvement of trade unions, and strict supervision of the implementation of regulations, such as work contracts and outsourcing systems, are key to minimizing potential inequality. With an inclusive and transparent approach, this law can have a positive impact on the national economy without ignoring workers' rights.

In addition, Law No. 6 of 2023 must be integrated with other supporting policies to create a more stable and fair employment ecosystem. The government needs to ensure an effective monitoring system to prevent abuse of regulations, especially in terms of fixed-term employment contracts (PKWT) and outsourcing. On the other hand, improving the quality of education and job training must also be a priority so that Indonesian workers can compete in the global market. Thus, this law is not only an instrument of regulatory reform, but also a strategic solution to increase labor productivity and strengthen sustainable industrial relations.

The Ministry of Manpower (Kemnaker) has an important role in ensuring that the implementation of Law No. 6 of 2023 runs in accordance with the principles of justice and balance. One of the main challenges is ensuring that programs such as the Job Loss Guarantee (JKP) are truly accessible to workers affected by layoffs (PHK), including contract and outsourcing workers. In addition, strengthening the role of labor inspectors needs to be done to ensure company compliance with labor standards, including payment of minimum wages and granting other normative rights. Furthermore, this law must also be able to answer the challenges of the development of the world of work which is influenced by digitalization and automation. The government needs to integrate vocational training and skills improvement policies (upskilling and reskilling) to help the workforce adapt to dynamic market needs. Without these efforts, the goal of increasing the competitiveness of the Indonesian workforce at the global level will not be achieved.

In addition, social dialogue between the government, employers, and workers needs to be strengthened so that the implementation of this law does not cause tension in industrial relations. With space for negotiation and deliberation, various potential conflicts due to interpretation of the rules can be minimized, thereby creating a conducive and sustainable work climate. To create optimal implementation of Law No. 6 of 2023, harmonization with regional regulations and sectoral policies is also needed. This is important because several sectors have specific needs and challenges in employment relations, such as the manufacturing sector, agribusiness, and the digital economy. Regional governments need to be actively involved in socializing this regulation so that employers and workers understand their rights and obligations.

Furthermore, another challenge that must be anticipated is the potential for violations in the outsourcing system. This law provides flexibility for employers to use the outsourcing system, but without strict supervision, this system can be abused to avoid responsibility for workers' rights. Therefore, strengthening the role of trade unions and industrial relations dispute resolution institutions is crucial to providing additional protection to workers. On the other hand, this law opens great opportunities for the growth of the informal sector with easy regulation for small and medium enterprises (SMEs). However, the government must ensure that small business actors continue to comply with decent labor standards, such as providing minimum wages and social security for their workers. Without adequate supervision, the risk of worker exploitation in this sector will increase. Ultimately, the success of Law No. 6 of 2023 in strengthening Indonesia's employment system requires a collaborative approach, strong commitment from all parties, and continuous evaluation. Adjusting regulations to social and economic dynamics must also be a priority agenda so that this law can continue to be relevant in facing future employment challenges.

Law No. 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 concerning Job Creation into Law is part of the reform of the employment system in Indonesia. Several aspects of this law are considered in accordance with the needs of the employment system in Indonesia but have also drawn criticism. The following is an analysis from the perspective of the employment system. The suitability of the regulations in the Job Creation Law with employment conditions in Indonesia is still a topic of debate. Several regulations are considered to be in line with the needs of the modern world of work, such as flexibility in work contracts (PKWT) which allows companies to be more adaptive to business dynamics. In addition, the simplification of the licensing process and employment regulations aims to increase Investment and open up more jobs, which are badly needed amidst high unemployment rates. However, on the other hand, some parties consider this law to reduce protection for workers, such as reducing severance pay rights and providing more flexible overtime hours, thus potentially creating inequality between workers and

employers. Therefore, despite having good intentions, the implementation of the Job Creation Law needs to be monitored to maintain a balance between the interests of workers and employers.

2. What is the strategy to overcome the negative impact of PKWT based on Law No. 6 of 2023?

Basically, labor rights in Indonesia have been regulated in the Manpower Law. This aims to ensure that workers' rights can be implemented by taking into account developments in the business world, both nationally and internationally. Provisions regarding labor rights were then amended by the government through the 2020 Job Creation Bill. These changes motivated by the government's efforts to attract foreign investment in order to accelerate economic and infrastructure development in Indonesia. Although on its journey, the Job Creation Bill has received a lot of rejection from various elements of society because many argue that this Bill will only benefit entrepreneurs, this Bill is a new concept in the Indonesian legal system because it uses the omnibus law concept which combines various legal provisions in many laws into one law.

In the Job Creation Bill, there are eleven clusters that regulate various provisions related to the economy and investment. One of these clusters regulates employment. This employment cluster is a combination of 3 laws that have been merged into one, namely Law Number 13 of 2003 concerning Employment, Law Number 40 of 2004 concerning the Social Security System, and Law Number 24 of 2011 concerning the Social Security Administering Body. This employment cluster was designed by the government to harmonize the 3 laws so that they are in line so that they can provide a space for investors to see the regulations that have been improved without having to worry about overlapping regulations and causing losses to the investors themselves.

The Job Creation Bill was then passed into Law Number 6 of 2023 concerning the Stipulation of Government Regulation Number 2 of 2022 concerning Job Creation into Law. Various public opinions have accompanied the process of forming this Law, one of which is because the processing time for this Law is limited to only around 100 days. In this Law, especially in the employment cluster, the main problem that is often in the spotlight is the provisions regarding wages and Fixed-Term Employment Agreements. The problem regarding wages and Fixed-Term Employment Agreements is motivated by companies in Indonesia who tend to prefer to recruit workers using Fixed-Term Employment Agreements because they are more efficient and can reduce the costs that must be incurred by the company to pay wages and allowances that must be paid to its workers. The policies taken by these companies are considered not to be in favor of workers because Fixed Term Employment Agreements cannot provide certainty regarding the fulfillment of workers' rights such as work period, appointment as permanent employees, career levels, and severance pay when the Fixed Term Employment Agreement ends.

Before the Job Creation Law, Fixed-Term Employment Agreements were regulated in Law Number 13 of 2003 concerning Manpower. However, the unclear formulation of provisions regarding Fixed-Term Employment Agreements in the Manpower Law has given rise to various debates among labor experts. Departing from this, the Job Creation Law is here to change the legal provisions regarding Fixed-Term Employment Agreements in order to provide a middle ground to fulfill workers' rights and not burden company owners as investors.

The provisions regarding Fixed-Term Employment Agreements are regulated in Article 81 numbers 12-15 of the Job Creation Law, which revokes the provisions regarding Fixed-Term Employment Agreements in Article 59 of the Manpower Law. The implementing provisions regarding Fixed-Term Employment Agreements are regulated in Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Hours, and Termination of Employment. In the Government Regulation, it is regulated in more detail regarding Fixed-Term Employment Agreements, including:

PKWT is divided based on the time period and completion of a particular job: PKWT based on the time period is divided into:

- a. work that is estimated to be completed in a relatively short time
- b. seasonal workers or
- c. work related to new products, new activities, or additional products that are still in the experimental or exploratory stage.

PKWT which is based on the completion of a certain job, namely: work which is completed once or work which is temporary in nature, and certain other jobs whose type and nature or activities are not permanent. Eliminate Article 59 of the UUK which regulates the requirements for fixed-term workers or contract workers. With the elimination of this article, there is no limit to the rules on which a worker can be contracted, as a result the worker could become a lifelong contract worker.

- a. PKWT which is based on a maximum validity period of 5 years, PKWT can be extended several times if the work carried out has not been completed, with the provision that the total term of the PKWT and its extension is no more than 5 years.
- b. PKWT based on the completion of a certain job is based on the agreement of the parties. In the event that certain jobs agreed in the PKWT cannot be completed, the PKWT period is extended until the job is completed, and there is no maximum time limit set.
- c. PKWT based on other specific jobs whose type and nature or activities are not permanent can be done with a daily work agreement. With the provision that the worker works less than 21 (twenty-one) days in 1(one) month.

CONCLUSION

Law No. 6 of 2023, which is a continuation of Government Regulation in Lieu of Law (Perppu) No. 2 of 2022 concerning Job Creation, aims to create a more conducive investment climate, expand employment opportunities, and increase the competitiveness of the Indonesian workforce in the global market. In this context, Law No. 6 of 2023 does provide a number of flexibilities for employers in managing employment relationships, such as regulating Fixed-Term Employment Agreements (PKWT), more flexible wages, and simplifying the termination of employment (PHK) process. The main objective of this change is to reduce regulatory barriers for employers and accelerate the creation of wider employment opportunities, with the hope of stimulating Indonesia's economic growth.

However, this law presents major challenges in terms of protecting workers' rights, especially in the context of PKWT and wages. One of the main changes in this law is the regulation of PKWT which is more flexible, which was previously regulated more strictly in Law No. 13 of 2003 on Manpower. Law No. 6 of 2023 allows for the extension of the contract duration without clear limitations, which has the potential to turn contract workers into long-term workers without permanent status. These risks creating uncertainty for workers, who may continue to be trapped in temporary employment relationships and without any guarantee of future certainty. In fact, one of the principles stated in the 1945 Constitution is to provide the right to decent and sustainable work. In this case, the flexibility presented by this law is more beneficial to employers and risks worsening inequality in industrial relations.

In addition, changes related to more flexible wages and the determination of minimum wages based on regional productivity and competitiveness also pose potential problems. Although intended to encourage investment in areas with low economic levels, this policy has the potential to lower wage standards in some areas, especially for workers in the informal sector and labor-intensive industries. Inadequate wages can exacerbate social and economic inequality, given that many workers in the selectors have low bargaining power. The downside is that greater wage inequality can damage the social fabric and increase the gap between workers in the formal and informal sectors. In dealing with these problems, it is important to pay close attention to how this policy is implemented in the field. Despite the potential negative impacts, there are opportunities for the government to mitigate by strengthening supervision of the implementation of this law. Strict

supervision of work contracts, outsourcing systems, and the implementation of wage policies will be crucial to ensure workers' rights are guaranteed. In addition, the government needs to involve trade unions more actively in the policy-making process and evaluation of the implementation of this law. More intense social dialogue between workers, employers and the government is needed to create balance in industrial relations, so that the main objective of this law, namely creating jobs and strengthening economic competitiveness without sacrificing workers' welfare, can be achieved.

One of the positive steps presented in this law is the Job Loss Guarantee (JKP) program, which is expected to provide social protection for workers who are laid off. However, the effectiveness of this program is highly dependent on transparent management and a clear distribution system. Without strict supervision, this program risks being inaccessible to workers who really need it, especially workers with contract or outsourcing status who do not receive their full normative rights. Overall, Law No. 6 of 2023 contains complex dynamics. On the one hand, this law offers flexibility that supports Indonesia's economic growth and competitiveness, but on the other hand, it risks sacrificing the protection of workers' rights. Therefore, it is important to not only see this law as an instrument to attract investment and create jobs, but also as a means to ensure the protection of workers' rights and create social welfare. The success of this law is highly dependent on fair implementation, effective supervision, and the active involvement of all relevant parties. With an inclusive and transparent approach, this law can achieve its goal of creating a better and more sustainable employment system for Indonesia.

SUGGESTION

The government needs to strengthen its supervision of the implementation of Law No. 6 Year 2023, especially in terms of labour contracts, outsourcing systems, and wage policies. For this purpose, the government can form a special team or independent institution to ensure that workers' rights are protected. In addition, the Job Loss Guarantee (JKP) program must be managed transparently, for example by providing regular reports that can be accessed by the public, conducting audits, and providing responsive complaint channels. Dialogue between the government, employers, and trade unions is also crucial. By involving all parties, policies can be fairer and more balanced. On the other hand, technical regulations to limit the duration of labour contracts need to be implemented so that workers are not trapped in perpetual contract status. The government can also provide incentives to employers who appoint contract workers to become permanent.

To overcome the risk of wage decline in the regions, wage policies should consider the need for a decent living and the purchasing power of the community, in addition to looking at regional productivity. The government and workers' organizations also need to educate workers so that they understand their rights. Free information and legal assistance will greatly help workers fight for their rights. This law needs to be evaluated regularly to ensure that its implementation meets its objectives, which are to create jobs and protect workers' welfare. All parties, including academics, legal practitioners, and the public, need to be involved in this evaluation. With a transparent and fair approach, this law is expected to build a better and more sustainable labour system for Indonesia.

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