

# The Impact of the Job Creation Law on the Protection of Wages for Fixed-Term Employment Workers (PKWT)

Jakariya, Rommy Hardyansah, Didit Darmawan

Universitas Sunan Giri Surabaya

Email: [dr.rommyhardyansah@gmail.com](mailto:dr.rommyhardyansah@gmail.com)

**ABSTRACT** – This research discusses the impact of changes in wage regulations for Fixed-Term Employment Agreement (FTEA) workers in Indonesia following the implementation of the Job Creation Law (Law Number 11 Year 2020). The main objective of the law is to create labor market flexibility and improve economic competitiveness, but the changes have created significant problems for FTEA workers, especially in terms of unfair wages and uncertainty regarding their rights. The removal of several wage provisions that previously provided protection, as well as reduced oversight of fair wage implementation, worsened the bargaining position of FTEA workers. This research also evaluates the legal impact of these new regulations on workers' rights and suggests the need for strengthened oversight and more proactive policies to protect FTEA workers from exploitation and wage injustice.

**Keywords:** Wages, FTEA Workers, Job Creation Law, Labor Flexibility, Worker Protection, Minimum Wage, Labor Inspection.

## A. INTRODUCTION

In the context of labor reform in Indonesia, the implementation of Law Number 11 Year 2020 on Job Creation, also known as the Omnibus Law, has brought major changes in wage regulations, particularly for workers with Fixed-Term Employment Agreements (FTEA). The main purpose of these changes is to create labor market flexibility and improve Indonesia's economic competitiveness. However, despite claims of efficiency and an improved investment climate, these reforms have led to a range of issues related to wage setting that affect workers' welfare. Government Regulation Number 36 Year 2021 as part of the implementation of the Job Creation Law has established a number of new variables in the calculation of wages, but its implementation has not been able to fully address the injustice felt by workers, especially FTEA workers who are one of the most vulnerable groups (Tanjung, 2022).

One of the main issues arising from these reforms is the reduction of workers' rights in wage setting, particularly for contract workers. Since the implementation of the Job Creation Law, FTEA workers have lost some of the protections that previously existed in older labor regulations. For example, the removal of some wage-related provisions that ensured protection for workers who rely on short-term employment agreements. This reduction has led to a weaker bargaining position for workers, and they are now caught in a situation that is more vulnerable to exploitation in terms of wages.

Furthermore, these regulatory changes have the potential to create instability in the employment relationship between workers and companies. For FTEA workers, uncertainty over fair wage rights can undermine healthy industrial relations and worsen work quality. This leads to a greater gap between workers' need for basic rights protection and the flexibility offered by companies in their wage arrangements. With a lower bargaining position, FTEA workers are likely to accept worse working conditions due to lack of information or pressure to accept offers that do not correspond to a decent standard of living.

Increasing Indonesia's economic competitiveness through labor flexibility should not neglect basic protections for workers (Mardani, 2021). Unfair wage practices are becoming more common in the context of flexible employment, especially in sectors that rely heavily on contract workers. FTEA workers often do not have equal access to welfare facilities such as health insurance or other benefits as permanent workers, and they are also vulnerable to wage uncertainty that can lead to financial hardship.

While the wage regulations stipulated in the Job Creation Law and its derivative regulations, the implementation and monitoring of compliance with these regulations still face many obstacles. One of the major challenges is the lack of effective supervision related to providing fair wages for FTEA workers. Without adequate supervision, companies tend to ignore their

obligation to provide wages that are in line with the standard, as there is an incentive to reduce operational costs by reducing workers' salaries. Lastly, although the Job Creation Law aims to improve the investment climate, the changes that have occurred in the labor sector, especially in the aspect of wages, add a greater social burden to vulnerable workers. With the reduction of FTEA workers' wage-related rights, not only the welfare of workers is compromised, but also the stability of the national economy which depends on the well-being of the working class. Injustice in wages can cause widespread dissatisfaction, leading to social tension and hindering the achievement of the main objectives of the labor reform.

This research aims to analyze the changes in wage regulations for FTEA (Fixed-Term Employment Agreement) workers after the implementation of the Job Creation Law. The changes bring significant impacts to the wage rights of contract workers, and this research will identify how the new regulations affect the protection of workers' rights, both in terms of wages received and in terms of their welfare. This research will evaluate the legal consequences of the changes, with a focus on how these policy changes affect the protection of workers in terms of fair and balanced wages (Yulianto, 2021).

This research also aims to assess the effectiveness of the implementation of the Job Creation Law in protecting wage rights for FTEA workers. Along with the implementation of the new policy, it is important to see to what extent this policy is successful in creating a balance between the interests of the company and the rights of workers, especially in terms of wages that comply with fair standards. Thus, the main objective of this study is to provide a clearer picture of the implications of the policy change on industrial relations between workers and companies.

The urgency of this research is particularly important given the significant changes in labor regulations that directly impact FTEA workers. An in-depth understanding of the long-term impact of these policies can help identify existing gaps in worker protection and contribute to better policies in the future. The new wage regulations have raised a number of challenges related to workers' wage violations, which ultimately affect their welfare, so it is important to explore this issue comprehensively.

## B. METHOD

This research uses a normative juridical approach with descriptive-analytical analysis to evaluate the legal impact of the Job Creation Law and Government Regulation Number 36 Year 2021 on the wages of FTEA (Specified Time Work Agreement) workers. The main focus of this research is to examine the changes in wage-related regulations and their impact on the rights of contract workers in Indonesia, especially regarding Article 88A in the Job Creation Law. This approach provides an in-depth perspective on the legal implications of the new policy on the welfare of FTEA workers. Primary data in this research includes Law Number 11 Year 2020 on Job Creation and Government Regulation Number 36 Year 2021 on Wages. Secondary data is obtained from legal literature, such as journals and scientific articles that discuss the impact of wage policies on FTEA workers. Understanding these policy changes is important to evaluate the appropriateness between the regulations and the original objective to increase labor market flexibility.

Data collection was conducted through a literature study, focusing on relevant regulations and academic literature. This technique aims to identify factors that influence the implementation of wage policies at the enterprise level and analyze the long-term impact of the changes.

The data collected was then analyzed using a descriptive-qualitative approach. This approach makes it possible to comprehensively describe the changes in wage regulations, as well as evaluate their impact on workers and companies, taking into account aspects of fairness in wages.

The research procedure began with the identification of regulations related to FTEA workers' wages, followed by a juridical analysis to evaluate their impact on workers' rights. The findings of the analysis are then synthesized to understand the effectiveness of the regulations in providing protection for contract workers and maintaining a balance between workers' rights and company needs.

## C. RESULTS AND DISCUSSION

### Impact of Wage Regulations on FTEA Workers

The transformation of wage regulations for workers with Fixed-Term Employment Agreements (FTEA) after the enactment of Law Number 11 Year 2020 on Job Creation in Indonesia brings

significant changes that focus on improving labor market flexibility and economic competitiveness. The Job Creation Law changes many provisions in the labor system, including in terms of workers' wages, especially workers with FTEA status. Prior to the implementation of the Job Creation Law, wages for FTEA workers were regulated in more detail through sectoral and regional regulations that set minimum standards for salaries and other facilities, such as holiday allowances and social security. However, major changes occurred when these provisions were amended to allow for greater flexibility in wage setting.

One of the main changes is the reduced role of sectoral regulations in setting minimum wages for workers, including FTEA workers. Based on the Job Creation Law and Government Regulation Number 36 of 2021 on Wages, the wage system is more focused on setting provincial and district/city minimum wages regardless of sector or industry. This means that the wages of FTEA workers are more determined by the minimum wage applicable in a particular region, and companies are given greater discretion in setting other components of wages, such as allowances and bonuses.

Changes in wage regulations in Indonesia after the implementation of the Job Creation Law led to wage flexibility by reducing sectoral minimums and reducing the types of wages that can be received by contract workers (FTEA). The removal of control over sectoral minimum wages raises concerns over workers' welfare and access to decent wages, especially for contract workers who do not have strong bargaining power (Erlina et al., 2024).

Furthermore, the new provision establishes new variables in wage calculations to improve economic competitiveness, while impacting on the stability of wages received by FTEA workers. They mentioned that this change could lead to uncertainty for contract workers, especially in terms of setting minimum wage standards that were previously more strictly protected (Christoper & Sudiarawan, 2023).

This decision to reduce sectoral control over wages, while intended to provide greater flexibility for employers, has had an impact on FTEA workers. Workers who were previously guaranteed the right to fair and decent wages through sector-specific provisions must now face the possibility of a decline in their wage standards, especially if companies seek to reduce costs. Certain sectors that previously

had higher wage arrangements are no longer bound by them, potentially leading to wage disparities across industries and sectors.

One of the other significant changes is related to compensation for FTEA workers. Statute 88A of the Job Creation Law provides a new provision regarding the obligation to provide end-of-contract compensation for contract workers, but this regulation does not sufficiently clarify how the rights of FTEA workers are guaranteed after the contract ends. In practice, many FTEA workers do not receive proper compensation despite having worked well and in accordance with the provisions, due to a lack of understanding of their rights or the company's unpreparedness to fulfill these obligations (Halim, 2023).

Juridically, this regulatory transformation creates uncertainty in terms of FTEA workers' rights. While the aim of the Job Creation Law is to increase labor flexibility, this often leads to reduced protections for workers, particularly those working on fixed-term contracts. The lack of sectoral regulations that previously provided workers with clearer and fairer wage guarantees now makes FTEA workers more vulnerable to inadequate wages. In this case, the application of these policies is often unbalanced, reducing workers' rights, while giving more discretion to companies in terms of wages.

Therefore, while this regulatory transformation aims to support labor market flexibility, its application in the wages of FTEA workers needs to be closely monitored to avoid a decline in wage standards and social protection for workers. Without adequate supervision, this policy risks increasing inequality between permanent and contract workers, and worsening their socio-economic conditions.

### **Legal Consequences and Employer Liability**

The changes to wage regulations under the Job Creation Law have significant legal consequences for the rights of Fixed-Term Employment Agreement (FTEA) workers in Indonesia. One of the main consequences of this change is the loss of several forms of legal protection for FTEA workers, which were previously guaranteed in stricter regulations, such as sectoral minimum wage and other more detailed wage regulations.

One of the first legal consequences is a reduction in the standard of wages that FTEA workers can receive. Previously, wages for contract workers were strictly regulated by sectoral provisions, which provided workers with a guaranteed minimum wage, including

allowances, bonuses, and other entitlements. However, with the enactment of the Job Creation Law and Government Regulation Number 36 Year 2021, wages are more determined by provincial and district/city minimum wages without regard to specific sectors. This creates potential injustice for workers in certain sectors that previously had higher wage arrangements.

This change causes uncertainty regarding the rights of FTEA workers in terms of end-of-contract compensation. This is about the provisions on end-of-contract compensation that employers must provide to FTEA workers. This policy is an attempt to provide financial security for contract workers who experience termination of employment after their contract ends. This step, although positive, presents challenges in implementation as not all employers are ready to provide adequate compensation for their contract workers (Achmad et al., 2021).

In the context of the Job Creation Law, although there are provisions on compensation, implementation and enforcement are still limited and do not always provide optimal protection for workers whose contracts end. Many FTEA workers are not properly compensated, which causes financial losses for them, especially for those who depend on employment contracts as their main source of income.

Another legal consequence is vulnerability to social security cutbacks. Previously, FTEA workers had clearer social protections, such as health insurance and pensions guaranteed by sectoral regulations. However, these regulatory changes allow companies to provide more limited social protection or none at all, citing more flexible arrangements in terms of wages and social benefits. This risks FTEA workers losing access to the social security they are entitled to.

Uncertainty over the legal status of FTEA workers is also a significant consequence. This change in regulation gives employers more flexibility in determining workers' rights, including the right to leave, benefits, and end-of-contract compensation. With the loss of some previously clearer rights, FTEA workers become more vulnerable to unilateral policies that may be implemented by the company. Aggrieved FTEA workers often find it difficult to claim their rights in court as these more flexible rules often complicate the process of proving and claiming their rights.

On the other hand, companies do not always have clear legal obligations to fulfill the rights of FTEA workers in terms of wages and compensation, which creates an imbalance between workers and employers (Sukanto, 2020). Practices such as wage deductions or evasion of compensation obligations become easier to carry out, without sufficiently strict sanctions for companies that violate workers' rights. This creates injustice in the new labor system. Failure by employers to comply with wage provisions can lead to criminal sanctions. This emphasizes the importance of compliance with the new law, as well as the role of supervision to ensure compliance in workers' wages, to avoid violations of workers' rights (Effendy & Santiago, 2023).

Thus, while these regulatory changes aim to provide flexibility for the labor market, the legal consequences for the rights of FTEA workers indicate a potential reduction in their protections in terms of wages, compensation, social security, and other rights. Without strict oversight and more proactive policies to protect FTEA workers, these changes could lead to greater inequality in the Indonesian labor market.

### **Application of the Job Creation Law in Protecting Wage Rights for FTEA Workers**

The new regulations also reduce protections for FTEA workers by reducing provisions related to fair wages. These changes have the potential to reduce workers' bargaining power, with priority given to labor market flexibility and company interests, often at the expense of FTEA workers' welfare. The negative impact of this regulation becomes apparent in the form of a reduction in rights previously guaranteed to contract workers (Mahy, 2022).

Hamid (2021) emphasized that the Job Creation Law tends to weaken labor rights in general, and this affects FTEA workers who are more vulnerable to inadequate wages and lack of protection in employment relationships. Hamid also emphasized that the non-participation of workers in the legislative process weakens the democratic aspect of this labor policy (Hamid, 2021).

The implementation of the Job Creation Law (Law No. 11 Year 2020) in protecting wage rights for Fixed-Term Employment Agreement (FTEA) workers in Indonesia faces a number of challenges that affect its effectiveness. One of the main objectives of the Job Creation Law is to provide flexibility in employment, but in practice, changes in wage regulations for FTEA



workers have actually led to a decrease in the level of protection of workers' rights, especially regarding fair and transparent wages.

First, the Job Creation Law changes the previously more structured wage provisions, such as sectoral minimum wages, to wages that are more dependent on provincial or district/city minimum wages. While this aims to provide flexibility for companies, it causes uncertainty in terms of the standard wage that FTEA workers should receive. This change may disadvantage workers who previously worked in sectors with higher minimum wages. In this case, FTEA workers may receive lower wages compared to the previously existing standards, negatively impacting their well-being.

The reduction of some previously existing protections, such as guaranteed compensation at the end of the contract, could potentially reduce FTEA workers' rights. Although the Job Creation Law provides some provisions regarding compensation, its implementation on the ground is often inconsistent. Many FTEA workers do not receive proper compensation when their contracts end, due to a lack of oversight and effective implementation of the regulation. This shows that the Job Creation Law has not been effective enough in ensuring adequate protection for contract workers in terms of wage and compensation rights.

Another obstacle is the weak enforcement of laws related to wage violations for FTEA workers. Although there are provisions in the Job Creation Law that regulate wages, the lack of supervision from the government and relevant agencies has led to many FTEA workers being trapped in non-compliant wage practices. The Bank of Indonesia and other supervisory institutions should improve their oversight of wage policies, but in many cases, FTEA workers find it difficult to file complaints or obtain appropriate solutions to the violations they experience.

The flexibility policies implemented through the Job Creation Law pose a risk for FTEA workers to lose social security and other labor rights. Previously, contract workers had some clearer forms of protection in terms of benefits and social security, but these changes leave room for companies to reduce their obligations to workers. Without adequate protection, FTEA workers are more vulnerable to exploitation and injustice in terms of wages and working conditions.

In practice, although the Job Creation Law seeks to provide flexibility to employers, in reality the policy pays little attention to the protection of

workers' rights. FTEA workers not only face uncertainty in terms of wages, but also difficulties in accessing their rights due to imbalances in the employment relationship. This shows that although the Job Creation Law aims to promote economic flexibility and competitiveness, in the aspect of workers' wages, its implementation has not been fully effective in protecting FTEA workers' rights.

Overall, while the Job Creation Law provides a legal foundation for flexibility in employment, in practice it has not been effective enough in protecting the wage rights of FTEA workers. The changes enacted reduce the standard of protection that previously existed, and law enforcement and supervision of the regulation's implementation are still weak. Therefore, there needs to be further evaluation and adjustment in the implementation of this policy so that the rights of FTEA workers remain well protected.

#### D. CONCLUSIONS

This research shows that the changes in the wage regulation of Fixed-Term Employment Agreement (FTEA) workers in Indonesia after the enactment of the Job Creation Law brought significant legal impacts. While the main objective of the policy is to increase labor flexibility and economic competitiveness, it has also led to a reduction in some aspects of protection for contract workers. The removal of sectoral minimum controls on wages leads to uncertainty, which risks increasing the vulnerability of FTEA workers to inadequate wages.

Challenges in implementing this policy include difficulties in law enforcement and adequate supervision, particularly in terms of compensation for contract workers. While there are provisions related to end-of-contract compensation, implementation has been challenging, with many employers unprepared or reluctant to implement such obligations. This underscores the importance of stricter oversight to ensure the fulfillment of workers' rights.

This wage reform requires more attention in terms of harmonization with international standards that can guarantee workers' welfare. More effective monitoring of wage violations and increased education of FTEA workers' rights are also necessary so that workers have a clear understanding of their rights. Thus, although the Job Creation Law aims to boost flexibility and competitiveness, this policy requires adjustments so that workers' rights are well protected.

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