



## Investment Effect on Wage System in Pancasila Industrial Relations based on Job Creation Law

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### Abstract

Indonesian investment continues to develop as a result of globalization and the modernization of the company's operational activities. This is indicated by the large number of technologies used in the production and distribution processes of companies, both domestic companies, multinational companies, and foreign companies. Indonesia's investment ecosystem is not only focused on increasing foreign investment, but also focusing on increasing domestic investment. The Government of Indonesia issues these policies as contained in the Law of the Republic of Indonesia Number 11 of 2020 concerning Job Creation (hereinafter as the Job Creation Law). This change in the investment ecosystem results in a wage system related to the company's operational activities that are effective and efficient or the number of products produced by the company. The investment and the wage system must be carried out like industrial relations based on the meaning of the precepts in Pancasila. In fact, Pancasila industrial relations are not applied properly and correctly in the relationship between employers and job recipients. This paper uses normative legal research methods using only secondary legal materials. The approach used in this paper is a legal approach and a conceptual approach. This research will produce findings about the investment ecosystem, the wage system, Pancasila industrial relations, articles of the Job Creation Law related to the topics raised in the research. This research will also produce a correlation between the investment ecosystem and the wage system within the framework of Pancasila industrial relations in accordance with the Job Creation Law.

**Keywords:** investment; pancasila industrial relations; remuneration

### INTRODUCTION

The welfare of workers is one of the goals and importance of developing laws and regulations on employment. Workers depend on the renewal of programs and policies from the government to improve a just and prosperous social standard of living taking into account the times and increasingly fierce competition for work. This job competition comes from foreign workers who usually have more advantages and expertise than domestic workers. Meanwhile, within the scope of domestic workers, there is often competition between domestic workers themselves with the benchmark for acceptance of work seen from the latest education and length of work experience or seniority.

Foreign workers usually have a higher educational and skill status than domestic workers or even local workers. The skills of foreign workers are really fostered in earnest by the government of their country so that it is feared that it will shift the skills of domestic workers. It is the duty of the government to be able to provide guidance to Indonesian human resources so that they do not lose their competitiveness. Until now, workers, especially in this case domestic workers, have taken many demonstrations against new provisions or programs from the government, especially after the enactment of the Job

Creation Law.

The new programs and provisions in the Job Creation Law are actually a problem for domestic worker demonstrators because they are considered not to pay attention to the survival of the community, but only focus on the national economy. The Job Creation Law itself is actually a law that is adopted and used in common law countries, there are even some countries that finally revoke the validity of this law because it is considered too free and far from democratic elements. Meanwhile, Indonesia is a civil law country so this law is considered unsuitable for inclusion in the national legal system (Wandi & Rifa'i, 2020).

The state must strive to create and provide general welfare for all its people which is an obligation for him, this includes the employment sector. This obligation is as stated in the Preamble to the 1945 Constitution of the Republic of Indonesia (hereinafter referred to as the 1945 Constitution of the Republic of Indonesia) in the fourth paragraph. On the basis of these obligations, the state does not only provide general welfare, but also needs to create or update regulations and laws that are no longer in line with the times and the progress of systems or technology in certain fields. Therefore, Indonesia's adjustment to the Job Creation Law must be carried out properly.

The making or updating of laws indicates that the government has the authority to interfere in community activities. This can be seen from the government which has a role in the renewal of the employment sector related to the national economic or financial sector. The employment sector has undergone many changes to its articles in the Job Creation Law, in which several changes are regulated, such as the wage system and investment climate which were previously regulated in the Law of the Republic of Indonesia Number 13 of 2003 concerning Manpower (hereinafter referred to as the Manpower Act) and Law of the Republic of Indonesia Number 25 of 2007 concerning Investment (hereinafter referred to as the Investment Law).

The problem that arises today due to the enactment of the Job Creation Law related to investment is the wage system in industrial relations that is just. The workers still think that the latest wage system as regulated in the Job Creation Law does not provide justice opportunities for them. This is coupled with the fact that additional investment, both domestic and foreign investment, especially if hiring foreign workers will shift local and domestic workers. As it is known that the possible recipients of higher wages are not local and domestic workers, but foreign workers with better skills and skills.

Small workers who have very urgent conditions will not think much about wages which are usually relatively smaller than workers with higher positions because of their higher level of education and expertise. In order to sign a work agreement, workers lack or even completely understand the principle of freedom of contract and do not determine things that can be mutually agreed upon between the employer and the job recipient (Sonhaji, 2019). As a result, after realizing their mistakes or carelessness, they tend to just stop working even though it has been determined that compensation payments have been made. In addition, workers end up showing strikes or demonstrations of wage increases.

The provision of wages to workers is very important for labor or services that are channeled to production activities in a company or legal entity or organ. Wages are the main goal of workers to spend their energy to provide a living for themselves and their families and to meet the needs of their daily life (Suhartoyo, 2019). In this case, the parties included in the wage are the employer or entrepreneur, the recipient of the job or worker, and the government. The government must take the best steps so that the wage system and investment climate can be implemented according to the wishes of all parties. Furthermore, employers must provide wages to workers in accordance with regulations issued by the government for the implementation of fair Pancasila industrial relations.

Misconceptions from the community, in this case the workers, regarding the new policy on the investment ecosystem and the wage system within the framework of a just industrial relations Pancasila must be corrected. Socialization from the government from the beginning to the community is very necessary even though the law should be automatically known and understood by the public since it was published. The bad things should be eliminated first in order to achieve the benefits and advantages of the new

policies in the Job Creation Law which are currently urgently needed to improve the employment sector due to the global pandemic emergency situation. In addition, the new policies are aimed at legal protection for workers from industrial relations that are not based on Pancasila (Masrur, 2021).

## **METHOD**

This research uses a normative legal research method using only secondary legal materials so that direct research in the field is only a supporter. As interpreted by Philipus M. Hadjon that normative legal research is carried out with the aim of finding and seeking the formulation of legal opinions or arguments by analyzing the core legal issues. Normative legal research refers to and examines legal regulations governing related legal issues (Bachtiar, 2019). This legal research uses a statutory and comparative research approach. The legal approach is carried out by conducting a study and analysis of regulations and laws related to legal issues. Then, the conceptual approach is carried out by comparing the laws that apply in a certain period of time with the laws that apply in other periods. This research approach relates to each other by conducting a synergistic study and analysis of the articles in the law and its implementing regulations, then these articles are linked and compared with each other. This research was conducted by conducting indirect observations and documentation to understand and assess a phenomenon that emerged among the community and their impacts. Observations here are carried out without direct observation in the field so that they are carried out by observing based on the conditions witnessed and heard. Meanwhile, the documentation here is done using applicable legal regulations, scientific articles, and other literature. This type of research presents data in the form of descriptive results in the form of written words and descriptions of public responses or reactions to a phenomenon.

Normative legal research relates to the thoughts of researchers in assessing a reality or legal problem. Researchers have their own thoughts in a basic order of a legal view as the main setting for the object of research being studied. The thoughts of researchers are also used as guidelines in an effort to find concrete facts in the fields of science, especially law. Researchers also have a view of a reality or legal problem in a coherent manner along with the resolution of the legal problem. Based on this thought, the researcher develops his thoughts in the form of ideas or legal ideas related to the research topic to find the best solution for legal problems that exist in a certain period. This study uses secondary legal sources or materials in the form of Indonesian laws and regulations, law books, legal scientific articles, and official websites that are relevant to the research topic. Secondary materials used as a source of research data obtained through documentation and literature study. Documentation is not the same as field studies because documentation essentially focuses on primary and secondary legal materials in the form of theories, concepts, principles, and legal rules. Furthermore, the researcher conducts a literature study such as applicable laws and regulations relating to the research topic, books on law and legal theory, scientific articles, and credible official websites related to the research topic so that data continuity occurs (Ishaq, 2017).

The research data from the approach were analyzed by explaining the data in the form of sentences that were arranged logically and structured to facilitate data transfer and understanding of the data from the analysis or what is commonly called qualitative. The data that has been collected is then sorted to be analyzed problem by problem based on the research topic and linked to the opinions of legal experts. This data sorting is intended to determine the data that already has certainty of its validity. Furthermore, the data from the analysis were compared with existing valid data from previous research results in the same domain to determine the level of validity, logicalness, and continuity of the data from the analysis with the research topic. In the final stage, the research data are presented in a structured manner in a scientific article.

## **RESULT AND DISCUSSION**

### **Investment Ecosystem in the Job Creation Act**

The employment agreement establishes an employment relationship between the employer (in this case the employer or company) and the job recipient (in this case the worker or laborer) must be implemented properly. Matters of bad faith, disgraceful acts, and injustice should be avoided so as not to violate the law and things that have been mutually agreed upon in the work agreement (Is & Sobandi, 2020). The employment agreement must contain the principle of freedom as it is the principle of freedom of contract for interested parties within the framework of civil law. Matters related to employment relations and work agreements are regulated in the Manpower Law.

The working relationship is related to investment or investment which is one of the drivers of the company's profit income as well as reversing the emergency situation of the economic crisis. In the Job Creation Law, the investment ecosystem in Indonesia is carried out by adding or expanding its territory or field. Domestic investment and foreign investment are both encouraged en masse to improve company income, to remedy the national economic crisis, and of course to help people invest and help workers to get jobs again after a long time out of work due to the global pandemic.

Domestic investment is considered not to have a significant impact on domestic workers because when viewed from the quality of human resources between regions, it is more or less known together, especially in terms of training and job development. As it is known that the training and development of human resources in Indonesia is not better than other countries. Morals, mentality, and discipline that are formed in the workers are not neatly arranged. What is really a problem among domestic workers is the new policy in the Job Creation Law, which in the Investment Law alone has created problems related to the addition of foreign investment, plus the existence of a free economic market.

Foreign investment has previously been regulated in the Investment Law with the following provisions: (1) foreign investment and domestic investment have different requirements; (2) the application of prohibitions for foreign investors to carry out production in the business sector of machines, weapons, explosive devices, and war equipment, as well as matters which are then regulated by law; (3) the government is the provider of facilities to investors who will invest in Indonesia; (4) investment facilities provided by the government do not include the tourism sector; and (5) the owner agency may determine the investment company, unless otherwise stipulated by law.

The latest government regulations on foreign investment are contained or updated in the following Employment Creation Law: (1) between foreign investment and domestic investment there is no requirement to distinguish them; (2) stipulation of prohibition for foreign investors to carry out activities in the cultivation sector and the first class of narcotics industry, all forms of casino and/or gambling activities, catching fish species classified in Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, taking or utilizing dead coral or live coral and coral from nature as aquariums, jewelry or souvenirs, and building materials, industrial chemical production and chemicals that can damage the ozone layer, as well as chemical weapons production industry; (3) the central government is the only party that provides facilities to investors who will invest in Indonesia; (4) investment facilities that will be received by investors include the tourism sector; and (5) the central government determines the criteria, standards, procedures or procedures, and norms for investment companies (Republic of Indonesia, 2020).

The two regulations above are very distinct or the newness of their provisions in almost every important point. The terms of foreign investment are different from the terms of domestic investment. The prohibitions in certain business fields are also different which in the Job Creation Law is wider and adds several things that can be done or prohibited in accordance with the relevant regulations. In addition, the central government plays an important role in foreign investment efforts in the Job Creation Law, while the Investment Law does not specifically regulate the central government or local governments that can provide investment facilities to investors.

### **Wage System in the Job Creation Act**

The wage system in Indonesia is inseparable from the role of the investment

ecosystem which can attract a lot of domestic workers to reduce poverty and get legal protection from discrimination in the workplace. Discrimination in the work environment is often in the form of physical, mental, and psychological discrimination, or can be in the form of devious acts, so that workers feel pressured to finally resign from their jobs, which usually have to pay compensation in accordance with the work agreement. Foreign workers who are more skilled will have more power in the workforce because domestic workers can easily be enslaved.

Mistreatment of domestic workers because they are considered mentally small is often carried out by foreign workers who have previously received job training in their home country. They tend to underestimate the ability and quality of Indonesian human resources, especially if it is associated with the low level of education. To avoid this, based on the new provisions in the Job Creation Law, domestic workers will receive education, empowerment, coaching, and development of expertise or skills in the organs of human resource training providers. These organs are Cooperatives and Micro, Small, and Medium Enterprises (hereinafter referred to as MSMEs) as well as domestic workers receive coaching money to improve the morale and welfare of workers (Asyhadie & Kusuma, 2019).

The important thing that affects the determination of the wages of workers is the level of productivity of each worker in the framework of increasing investment, the resulting product must also increase. Worker productivity associated with effective working hours will provide justice for all workers, not only in terms of the higher quality of human resources plus if only seen from the latest educational status. The wage system in the Employment Creation Law must be able to increase the productivity of workers and the income or profit of employers providing employment.

Companies and workers must know things about wages which have the following principles: (1) the right to receive wages occurs if there is an employment relationship; (2) the employer or company has an obligation to comply with working hours, namely seven hours per day for forty hours per six working days and eight hours per day for forty hours per five working days; (3) the employer or company has an obligation to provide overtime pay or wages that exceed the working hours and days; (4) prohibition for employers or companies to provide wages that are lower than the minimum wage; (5) the employer or company has an obligation to pay the wages of workers employed on official holidays; and (6) the provision of wages and the fulfillment of the rights of workers who are indebted to the employer or the company must be prioritized when the company is liquidated or goes bankrupt (Zulkarnaen, 2020).

The new wage system is more oriented towards the level of worker productivity based on the effectiveness of working hours. This has an impact on increasing the profits received by the company so that the income or wages received by workers also increases. In addition, this productivity can also renew the investment ecosystem in order to improve competitiveness and the national economy (Putra, 2018). A good investment ecosystem will realize the success of national economic development. In addition, if the economy increases, including the economic crisis decreases, this will increase the minimum wage so that the welfare of workers can be guaranteed.

The wage system must also be related to compensation or compensation when things happen that harm or sacrifice workers. The wage system must also be integrated with health social security and employment social security as a legal protection effort from the government to workers by looking at the unpredictable field conditions. In addition, workers will not only get wages, but will also receive guidance and funds to provide the best education and information every certain period in order to maintain the quality of their human resources. From here, workers will be more confident and easier to get work welfare, especially the eligibility to get the expected wages.

### **The Effect of the Investment Ecosystem on the Wage System within the Pancasila Industrial Relations Framework**

Industrial relations based on Pancasila do not occur very smoothly, disputes or disputes often occur in employment relations, especially between employers and job

recipients. As it is known that the parties in industrial relations consist of the government, employers, and job recipients (Podungge, Patiolo, Silvyva, & Hanifa, 2021). The causes are varied as investment law and employment law develop. The following are the causes that often occur in industrial relations disputes as seen from the government, among others: (1) the government lacks or even does not provide education and information about industrial relations principles in general and in particular on regulations; (2) law enforcement is weak and not carried out consistently; (3) not carrying out tasks objectively so that it seems to take sides in solving problems; and (4) a lack of understanding of the regulatory background.

The causes of industrial disputes from the employer's side are: (1) the perceived burden by the employer on the health social security program and employment security for workers; (2) workers are treated like slaves and do not uphold their rights and obligations; (3) employers do not give normative rights to workers which can cause dissatisfaction in the future; and (4) entrepreneurs do not really understand regulations properly, both in theory and practice.

The causes of industrial disputes on the part of the recipients of work are: (1) workers' knowledge of their rights, in fact, many demands for facilities have emerged; (2) the existence of freedom of association and democracy which actually increases human rights problems such as discrimination in the field of work; (3) the low level of education of workers so that it is easy to think illogically, such as the frequent demonstrations demanding wage increases; (4) distrust of workers who have obtained a higher level of education which results in working in fields that are not oriented towards higher education; (5) workers do not have a high spirit, sense of solidarity, and concern; (6) workers are burdened with demands in meeting their own needs and/or the needs of their families; and (7) between workers and employers there are high economic and social disparities so that dissatisfaction continues to arise.

The addition of an investment ecosystem shows a causal relationship with the wage system as regulated in the Job Creation Law. An increased investment ecosystem will also increase the company's production activities and the productivity level of workers. This production activity is one of the company's operational activities which previously stopped or decreased in terms of quantity due to the global pandemic emergency situation (Sahetapy, Sugianto, & Michael, 2020). If the company's production activities and the productivity level of workers increase, this will affect the wage system by increasing the minimum wage because the national economy has stabilized and its development has also been carried out well.

Determination of wages and the investment ecosystem is one of the triggers for the emergence of Pancasila industrial relations between the government, employers and job recipients, especially disputes between employers and job recipients. The parties are already bound in a work agreement, but the disputes that occur arise from the agreement due to bad deeds to workers and the assessment of workers' skills which seem subjective, resulting in workers receiving unfair and inhuman wages or being called inappropriate with the meaning of the Pancasila precepts. However, the most important thing in the Pancasila industrial relations dispute is the way to resolve the dispute (Kuahaty et al., 2021).

The new provisions of the Employment Creation Law regulate the rights of workers to receive training and job coaching in an investment environment so that having quality skills and expertise can help improve the wage system for the better. Thus, the latest regulation is very much in line with the current condition of Indonesia, which is currently experiencing an economic crisis, especially during the global pandemic emergency situation, so that economic development and labor law are very much needed to realize a prosperous life and justice in the work environment within the framework of industrial relations based on Pancasila.

Indonesian workers are worried that their position could be shifted by the presence of foreign workers with additional investment, especially foreign investment. In addition, foreign investment usually recruits a lot of foreign workers so that the impact on the amount of wages that will be received is added to the requirements of competence and work

experience. In fact, foreign investment was added because to help the deteriorating national economy plus the global pandemic emergency situation. All this time, the workers have misunderstood the new policy from the government, so it is necessary to carry out more socialization and understanding to the workforce and domestic workers. However, the problem is that the implementation of the policy has achieved its goals and objectives or not. Therefore, the implementation of these new policies must be correct from all parties involved in Pancasila industrial relations, namely the government, employers, and job recipients.

## **CONCLUSION**

The investment ecosystem and the wage system are related to each other based on Indonesian labor law and the job creation law, especially within the framework of industrial relations Pancasila. Industrial relations in this paper are based on the meaning of the precepts contained in Pancasila in order to provide legal protection for workers in a just manner. Investment in Indonesia today has a much wider ecosystem than before. Both foreign investment and domestic investment are both actively encouraged in order to achieve national economic stability and successful development so that there is job competition. However, the community, in this case the workers, misunderstood because they thought it would shift their place in companies in Indonesia. Job competition here relates to the recruitment of workers and their wages which are usually and realistically determined according to good education, skills, and work experience. However, this provision raises concerns for domestic workers if they are unable to compete with foreign workers. Therefore, the Job Creation Law addresses these concerns with the balance and dominance of the role of domestic workers in terms of investment acceptance and recruitment of workers, both for national companies, multinational companies, and foreign companies. This is aimed at realizing good Pancasila industrial relations between employers, job recipients, and the government as the legislator. An investment ecosystem and a wage system that evolves with the times will provide its own benefits for workers so that they are not left behind from developing and developed countries which have been serious about providing training and education to their human resources and the welfare of their workers. In the Job Creation Law, it is regulated that in order to answer the challenges of job competition and the development of labor law, every worker or workforce is obliged to receive job training in order to obtain work competency standards that are used as a benchmark for job acceptance. Therefore, the new provisions in the Employment Creation Law are expected to help resolve disputes in Pancasila industrial relations between employers or employers and job recipients or workers.

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