

# A Critical Study on Provincial Minimum Wage and Its Implementation in Industrial Relations: Evidence in Indonesia

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## Abstract

The implementation of the minimum wage policy known to Indonesia is the provincial minimum wage (PMW) policy and is still a major problem today. This study aims to present an overview of the implementation of the PMW policy in Indonesia, which is based on the necessities of life as regulated in the 1945 Constitution. This document uses data from scientific contributions published in research academic databases. The method used in this research is normative legal research, and the qualitative approach used aims to conduct a document study in order to collect data and analyze data descriptively in order to explore research problems in depth. The findings of this study indicate that in substance the provincial minimum wage functions as an effort to improve a decent life, especially for workers and their families. The implementation of the PMW policy should not harm the survival of the company where this will have an impact on the sustainability of the company's operations. This scientific contribution concludes that the implementation of the PMW policy in industrial relations in Indonesia must be managed professionally to increase the wages and welfare of workers/laborers and increase their involvement in the labor sector, which tends to be very limited. Then, it is necessary to optimize the application of the wage scale structure, and criminal sanctions for entrepreneurs who do not implement the PMW policy in industrial relations in Indonesia. This study is of interest to stakeholders such as: workers, entrepreneurs, academics, practitioners, other observers related to the employment sector.

**Keywords:** Provincial Minimum Wage, 1945 Constitution, Manpower, Entrepreneurs, Industrial Relations, Indonesia.

## INTRODUCTION

Currently, the nature and dynamics of the labor sector in industrial relations tend to lead to an increasingly complex situation. The policy of implementing minimum wages for workers/labor as an economic and legal instrument as an approach to improve their welfare tends to become increasingly important in various countries in the world and also in Indonesia. Indonesia has a very significant number of workers (Hamid, 2020), the working population in February 2021 is 131.06 million people (Suhariyanto, 2021). With this number of workers, legal protection for workers is an absolute and important issue in the context of the

perspective of labor law in Indonesia (Hamid & Hasbullah, 2021).

Along with the New Era, after the outbreak of Covid-19 and the acceleration of the development of technology and information in Era 4.0 or the fourth industrial revolution which was so rapid, labor law has a very important role. Labor laws and regulations must ensure that all workers as workers get a decent income or real wages. On the other hand, companies whether small, medium or large are expected to be able to carry out their business operations optimally according to the aims and objectives of their establishment.

The mechanism for implementing policies for implementing minimum wages or real wages for

workers is known as the provincial minimum wage (PMW) policy in industrial relations in Indonesia. However, its implementation is often faced with several problems, such as:

1. To determine the right amount related to the daily needs of workers, it is often difficult in some provinces (Mangeswuri, 2020).
2. There is no stipulation regarding the structure and scale of wages because not all companies have a uniform structure and scale of wages (Trimaya, 2014).
3. With the ratification and enactment of Job Creation Law No.11 of 2020 (*Undang-Undang Tentang Cipta Kerja No.11 Tahun 2020* or UUCK No.11/2020), the Employment Cluster on October 5, 2020, which is the latest labor law in Indonesia, is adding to the problems related to implementation provision of provincial minimum wages in industrial relations in Indonesia (Mukaromah, 2020).

According to (Hamid & Hasbullah, 2021) that the planning, discussion, and ratification of UUCK No. 11/2020 has crucial problems when viewed from the methodological aspects, paradigms, and substance of regulations in the policy sector. The significant implications of UUCK No.11/2020 are as follows:

1. Several changes to the remuneration for workers, among others, have eliminated the provision for the city/district minimum wage (PMW) as regulated in Article 89 of Law Number 13 of 2003 concerning Manpower (*Undang-Undang Nomor 13 Tahun 2003 tentang Ketenagakerjaan* or UUK No.13/2003). Article 89 of UUK No.13/2003 stipulates that each region is given the right to set its own minimum wage policy at the provincial level (PMW) and district/city sectoral minimum wage (*upah minimum sektoral kabupaten/kota* or UMSK).
2. Eliminate the UMSK so that the determination of wages is only based on the UMP. Furthermore, Article 80 of UUCK No.11/2020 amends, abolishes, and establishes new regulations in four laws, and one of them is UUK No.13/2003 (Hamid & Hasbullah, 2021).

In further dynamics, the controversial UUCK No.11/2020 was decided by the Constitutional Court with Decision Number 91/PUU-XVIII/2020 that UUCK No.11/2020 is formally flawed, conditional unconstitutionality (MKRI, 2021). The Constitutional Court of Justice

affirmed that the establishment of UUCK No.11/2020 is contrary to the 1945 Constitution and does not have conditionally binding legal force as long as it is not interpreted as 'no corrections have been made within 2 (two) years since this decision was pronounced', and this law is still pending. remain in effect until repairs are made to the formation in accordance with the grace period as determined in this decision" (MKRI, 2021).

Based on the various descriptions of these problems, the authors are very interested in studying more deeply about the provincial minimum wage (PMW) policy in industrial relations in Indonesia. This is a controversial issue and is in the spotlight of various circles of the wider community in Indonesia, including workers, businessmen, government, academics, observers, Community Social Institutions and others. Therefore, this article is entitled: "*A Critical Study on Provincial Minimum Wage and Its Implementation in Industrial Relations: Evidence in Indonesia*". The study was carried out comprehensively, and continued with discussion and research results related to the questions posed in 4 (four) research problem formulations as follows:

1. What is the general overview of the provincial minimum wage in industrial relations in Indonesia?
2. What is the function of the provincial minimum wage in industrial relations in Indonesia?
3. What are the aspects of the provincial minimum wage policy in industrial relations in Indonesia?
4. What and how is the law enforcement for companies that do not implement the provincial minimum wage policy in industrial relations in Indonesia?

This article ends with the results of discussions and suggestions regarding a critical study of the provincial minimum wage and its implementation in industrial relations in Indonesia.

## METHODOLOGY

The object of this research is the worker/labor and the entrepreneur/company as the employer.

The method used in this research is normative legal research, legal research conducted by examining library materials or secondary data (Soekanto, 2007) to find a rule of law, legal principles, and legal doctrines to answer legal issues. Faced (Marzuki, 2010). Then, a qualitative approach is also used in this research with the aim of conducting a document study to collect data and analyze the data descriptively (Moleong & Edisi, 2004) and to examine the condition of the object (Sugiyono, 2015) by investigating, and describing the object under study (Saryono, 2013). The data collection technique used in this research is literature analysis and the aim is to find out whether theories, methods and approaches can be studied and have relevance to the problems of this research entitled: "A *Critical Study on Provincial Minimum Wage and Its Implementation in Industrial Relations: Evidence in Indonesia*". Furthermore, literature analysis is used as a data analysis technique that functions to record carefully, and is directed at primary sources (Al-Ma'ruf, 2010). Furthermore, the secondary data used in this study aims to support the primary information that has been obtained. Secondary data in the form of library materials, literature, previous research, books, and so on (Hasan, 2002).

## RESULTS AND DISCUSSION

### Overview of the Provincial Minimum Wage

The existence of labor in the era of the technological revolution 4.0 is increasingly important in its role as a factor of production in the industrial world to produce goods and services. Labor is a factor of production and also as a human being whose work performance is shaped by their subjective experiences, aspirations and expectations (Clarke & Moore, 2011). In some respects, workers/labor as workers/employees are often different from employers/companies as employers, but to varying degrees sometimes employers/companies depend on workers/labor (Clarke & Moore, 2011).

Labor as an investment in human resources has become a priority in highly industrialized countries although the 4.0 technological revolution has made industrial production more efficient, more flexible and of higher quality, characterized by greater automation and

computerization (Leso et al., 2018). One example is South Korea, which has achieved remarkable success in economic growth and has become a global center for innovation and technology (World Bank Group, 2021). through investment in human capital which has proven to be effective in stimulating productivity (Lee, 2005). In this case, the quality of technical equipment and technology is important, but without people who create added value in the company as bearers of human capital, no technical achievements can be put to good use (Drábek et al., 2017).

Therefore, the axiom of the existence and involvement of workers in the industrial world is very important so that they are eligible to earn real wages (Keynes, 1937). Real wages are the value of money earned by workers in an economy at a particular time, after taking into account the effect of inflation on what can be bought with that money (Cambridge Business English Dictionary, 2021). Meanwhile, the term industrial relations refers to the relationship between management and labor/labor or between workers/labor and labor organizations (Nwachukwu et al., 2019). Sisson (2007) in (Clarke & Moore, 2011) stated that the focus of industrial relations is on regulation, control, and in terms that are currently popular are work procedures and work relations.

According to (Business Queensland, 2021), industrial relations is the management of work-related obligations and rights between employers and their workers related to minimum wages, awards and agreements, industrial action and dispute resolution. Meanwhile, experts in (Arumugam & Balasundaram, 2010) state that industrial relations are a series of rules governing the workplace which are set forth in work regulations, including paying attention to the determination of wages and working conditions which are indispensable in industry.

Article 1 Number 1 Regulation of the Minister of Manpower and Transmigration Number 7 of 2013 concerning Minimum Wages (*Peraturan Menteri Tenaga Kerja Dan Transmigrasi Nomor 7 Tahun 2013 Tentang Upah Minimum*) states that the minimum wage is the lowest monthly wage consisting of basic wages, including fixed allowances set by the governor as a safety net. Meanwhile, Article 1 Number 2 of the Regulation of the Minister of Manpower and Transmigration Number 7 of 2013

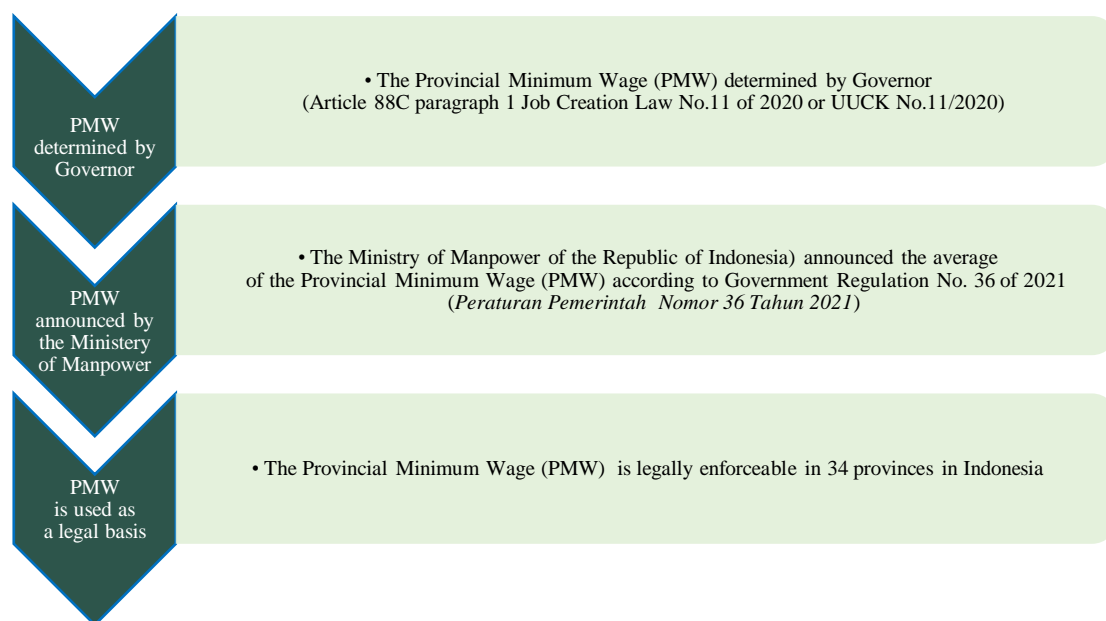
concerning Minimum Wages defines the PMW as the minimum wage that applies to all regencies/cities in one province. The PMW is implemented by the government aimed at providing protection for workers in relation to the amount of remuneration, wages paid to workers in Indonesia.

Then, UUCK No.11/2020 in Articles 88A, 88B, 88C, 88D and 88E regulates the mechanism for determining and implementing the provision of PMW in industrial relations in Indonesia. Article 88C paragraph (1) UUCK No.11/2020 reads that the Governor can set a district/city minimum wage with certain conditions, while Article 88C paragraph (2) UUCK No.11/2020 regulates that the minimum wage determined by the governor must be based on conditions. economy and manpower, among others, taking into account regional economic growth and

inflation in the regencies/municipalities concerned.

The district/city minimum wage (*Upah Minimum Kabupaten/Kota* or UMK) as referred to in paragraph (2) Article 88C UUCK No.11/2020 must be higher than the provincial minimum wage, and Article 88C paragraph (5) UUCK No.11/2020 regulates related to the determination of minimum wages based on economic conditions and manpower, local governments must use data sourced from authorized institutions in the field of statistics. Further provisions regarding the procedure for determining the minimum wage will be regulated by a government regulation.

Therefore, the policy mechanism for implementing the PMW in industrial relations in Indonesia can be described in Figure 1 below:



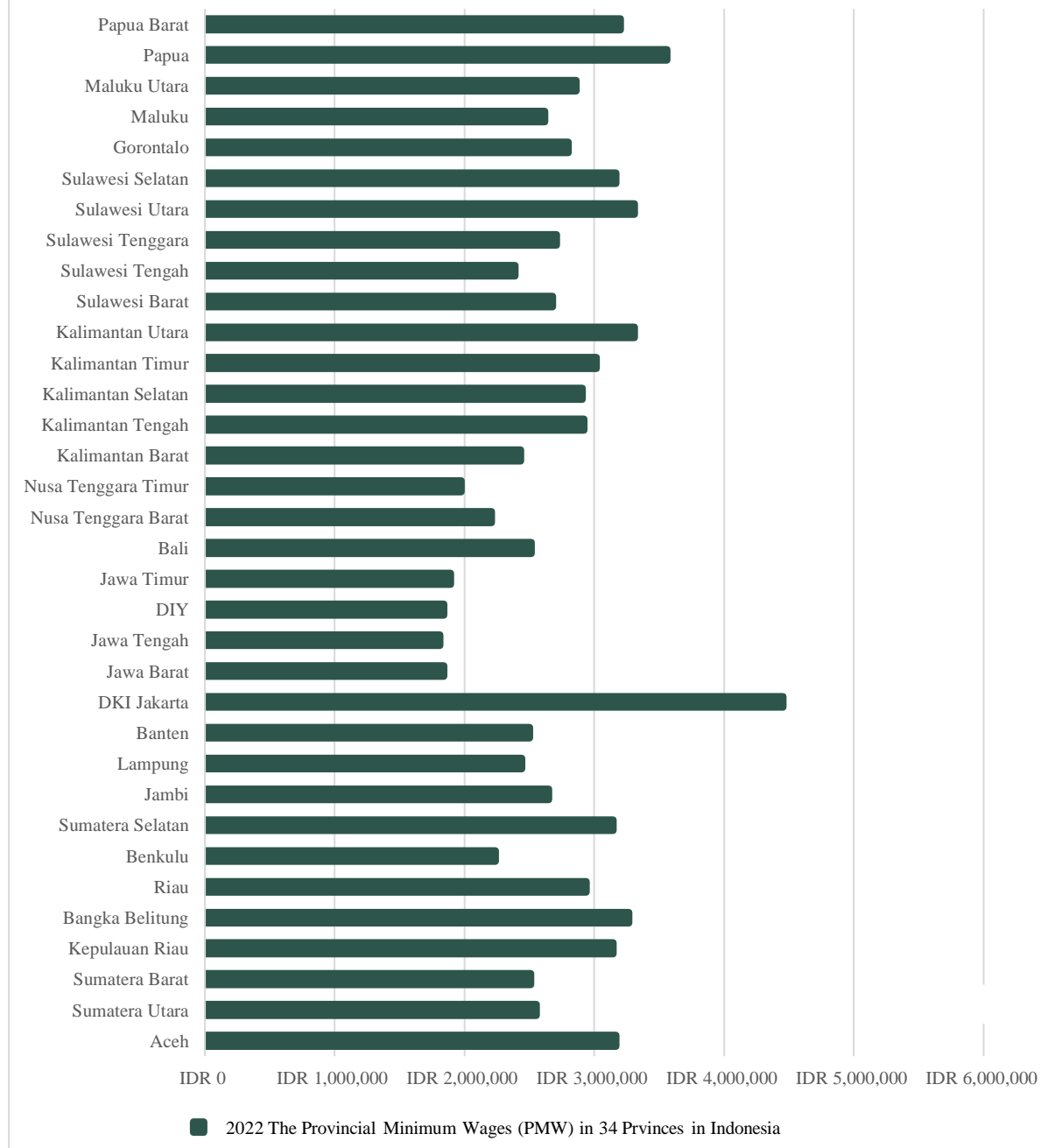
**Figure 1:** Policy Mechanisms for Implementing PMW in industrial relations in Indonesia (processed)

Based on Figure 1, the policy for implementing the UMP in industrial relations in Indonesia is determined by each governor in 34 provinces in Indonesia, and regional heads, both mayors and regents, set the district/city minimum wage as determined by the governor. Meanwhile, the central government through the Ministry of Manpower of the Republic of Indonesia announced the 2022 UMP in accordance with Government Regulation (PP) Number 36 of 2021 concerning Wages. This wage regulation is a derivative of Job Creation Law Number 11 of 2021 (UUCK No.11/2020).

The policy for implementing the PMW in industrial relations in Indonesia for 2022 which has been determined by each governor in 34 provinces is based on geography and is classified into 7 (Seven) Island Zones in Indonesia. The seven island zones are the Java-Bali island zone, the Nusa Tenggara island zone, the Kalimantan island zone, the Sulawesi island zone, the Maluku island zone, the Papua island zone from the Sumatra island zone. The PMW for 2022 has been announced by the Ministry of Manpower of the Republic of Indonesia (Idris, 2021) with the following details:

1. Jawa-Bali Island Zone:  
Banten IDR 2.501.203, DKI Jakarta IDR 4.452.724, Jawa Barat IDR 1.841.487, Jawa Tengah IDR 1.813.011 , DIY IDR 1.840.951,53 , Jawa Timur IDR 1.891.567,12, and Bali IDR 2.516.971.
2. Nusa Tenggara Island Zone:  
Nusa Tenggara Barat IDR 2.207.212, and Nusa Tenggara Timur IDR 1.950.000.
3. Kalimantan Island Zone:  
Kalimantan Barat IDR 2.434.328, Kalimantan Tengah IDR 2.922.516, Kalimantan Selatan IDR 2.906.473,32,Kalimantan Timur IDR 3.014.497, and Kalimantan Utara IDR 3.310.723.
4. Sulawesi Island Zone:  
Sulawesi Barat IDR 2.678.863,Sulawesi Tengah IDR 2.390.739,Sulawesi Tenggara IDR 2.710.595, Sulawesi Utara IDR 3.310.723, Sulawesi Selatan IDR 3.165.876, and Gorontalo IDR 2.800.580
5. Maluku Island Zone:  
Maluku IDR 2.618.312 ,and Maluku Utara IDR 2.862.231 ;
6. Papua Island Zone:  
Papua IDR 3.561.932 , and Papua Barat IDR 3.200.000 ,
7. Sumatera Island Zone:  
Lampung IDR 2.440.486,Jambi IDR 2.649.034,Sumatera Selatan IDR 3.144.446, Bengkulu IDR 2.238.094, Riau IDR 2.938.564, Bangka Belitung IDR 3.264.884, Kepulauan Riau IDR 3.144.466, Sumatera Barat IDR 2.512.539, Sumatera Utara IDR 2.552.609, and Aceh IDR 3.166.460.

**Table 1 : 2022 The Provincial Minimum Wages (PMW) in 34 Provinces in Indonesia**



**Source:** Idris (2021). Complete List of 2022 PMW Increases in 34 Provinces (Processed)

From table 1 regarding the amount of the 2022 PMW in 34 provinces, the average PMW set for 2022 in 7 (Seven) Island Zones in Indonesia is IDR 2,645,706. Central Java's PMW of IDR 1,813.01 is the lowest PMW of the 7 (Seven) Island Zones covering 34 provinces in Indonesia

for 2022. Meanwhile, DKI Jakarta's PMW of IDR 4,452,724 is the highest PMW. Furthermore, the amount of the DKI PMW after being announced by the Ministry of Manpower of the Republic of Indonesia, the Governor of DKI revised it and set the DKI PMW in 2022 to IDR 4,641,854 (Maharani, 2021). The basis for the considerations made by the Governor of DKI who has revised the DKI Jakarta PMW in 2022 is referring to a study by Bank Indonesia,

showing the projection of Indonesia's economic growth in 2022 to reach 4.7% to 5.5%, so that inflation will be controlled at a position of 3% (2% -4%), which at the same time will be able to increase people's purchasing power, as well as a form of appreciation for workers and an injection of enthusiasm for the economy and the business world (Hidayat, 2021).

Based on various descriptions related to the implementation of the provision of the PMW in industrial relations in Indonesia, it can be interpreted that substantially the minimum wage functions as an effort to be able to improve a decent life, especially for workers and their families. On the other hand, the implementation of the provision of PMW should not harm the survival of the company where this will have an impact on the sustainability of the company's operations and further impacts on economic conditions and productivity both nationally and regionally.

Thus, the implementation of the provision of the PMW in industrial relations in Indonesia should actually refer to Article 27 paragraph 2 of the 1945 Constitution (*Undang – Unsang Dasar Tahun 1945* or UUD 1945), every citizen has the right to work and a decent living for humanity. Therefore, decent work and a living based on several calculations are used as the standard for setting minimum wages in order to maintain business productivity and the sustainability of national and regional economic conditions (Halwani, 2020).

### **Provincial Minimum Wage Function**

According to (Sugiyarso & Winarni, 2005), salary or wages are a number of payments to employees who are given administrative and management tasks which are usually set on a monthly basis. While wages are rewards given to workers/laborers who do menial work and rely more on physical strength, the amount of wage payments is usually set on a daily basis or based on units of work completed (Sugiyarso & Winarni, 2005).

While the minimum wage can be interpreted as a minimum (lowest) monthly income as a reward from employers to employees for a job or service that has been or will be performed and is declared or valued in the form of money determined on the basis of an agreement or

statutory regulation and paid for the basis of a work agreement between employers and employees including allowances, both for the employees themselves and for their families (Pratomo & Saputra, 2011). According to the (ILO - International Labour Organization, 2021), the minimum wage is the minimum amount of remuneration that must be paid by the employer to the wage earner for work performed during a certain period, which cannot be reduced by collective agreement or individual contracts.

The function of wages in industrial relations is as a reward given by the employer to workers in an employment relationship as stated in an employment agreement (Trimaya, 2014). (Arumugam & Balasundaram, 2010) stated that the function of the minimum wage is as follows: (1). As one of the policies in the labor sector that aims to secure the best possible cooperation from workers in the workplace; and (2). As an opportunity to contribute not only his services, but also his suggestions and ideas for joint efforts, and must be done by mutual agreement or individual contract subject to the law (The Code of Federal Regulations – CFR, 2021).

(Sumarsono, 2003) states that the function of the minimum wage is to cover the minimum living needs of workers and their families to: (1). Guarantee the income of workers so that it is not lower than a certain level; (2). Increase worker productivity; and (3). Developing and improving the company with more efficient production methods. Furthermore, (Sumarsono, 2003) states that the wage function is the main source of income for a worker, it must adequately meet the needs of workers and their families.

(Meer & West, 2013) stated that the minimum wage policy is an alternative policy instrument as a method of increasing household living standards for low-income workers. According to Oi (1962) in (Meer & West, 2013), employers/companies as employers view that the minimum wage for labor is a fixed cost that should not be taken lightly because it is related to the recruitment of new employees (eg screening, interviews, training) and even the possibility will encourage a reduction in hiring rather than an increase in layoffs.

Based on various descriptions related to the function of the minimum wage in industrial relations in Indonesia, it can be interpreted as the

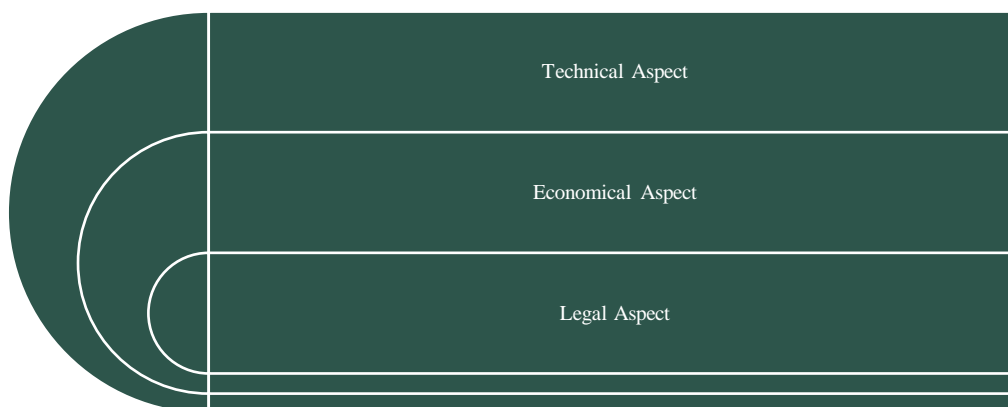
provincial minimum wage (PMW). The PMW in industrial relations must be stated in the form of an agreement or work contract between the workforce as workers and the entrepreneur/company as the employer. In its implementation, the company's work agreement or contract can be negotiated by the parties through collective bargaining in good faith, especially at the company level (Ombudsman, 2017). However, in determining its implementation, it is still necessary to consider the real capabilities of the company in order to maintain the continuity of the company's operations.

Thus, the function of the provincial minimum wage in industrial relations in Indonesia can be interpreted as an effort to improve a decent life, especially for workers. In this context, the function of the minimum wage in general is to provide legal protection for workers, both workers working in the jurisdiction of the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia* or NKRI) and Indonesian migrant workers working abroad

in accordance with the constitution. While the form of legal protection is stated in an agreement or work contract between workers as workers and the entrepreneur/company with reference to the applicable labor laws in Indonesia.

### Aspects of Provincial Minimum Wage Policy

The implementation of wages must pay attention to three aspects, namely technical, economic, and legal aspects that are interrelated with each other and one aspect cannot be eliminated (Trimaya, 2014). The wages in question are in the form of real wages for workers, which is one of the important issues in industrial relations and must be regulated in the labor law and can have an effect on increasing labor productivity ((Dritsaki, 2016); (Goh & Tham, 2013)). Real wages describe the purchasing power of the income/wages received by workers which are calculated from the nominal wage divided by the Consumer Price Index – CPI (Badan Pusat Statistik, 2021).



**Figure 2.** Aspects of Provincial Minimum Wage Policy in Industrial Relations (Processed)

#### Technical Aspect

From the technical aspect, the minimum wage implementation policy is determined by each governor in 34 provinces in Indonesia. The geographic coverage of the survey data underlying the determination of the applicable minimum wage may vary by province in Indonesia. This is due to the distribution of different industries in each province throughout Indonesia. Each governor may use the applicable survey data by referring to the

prevailing laws and regulations regarding the determination of the provincial minimum wage (PMW). Then, the policy for implementing the PMW nationally was announced by the Ministry of Manpower of the Republic of Indonesia.

The policy for implementing the minimum wage is aimed at setting a minimum standard or lower limit as a minimum wage zone which is implemented through collective bargaining (ILO - International Labour Organization, 2021). According to the (ILO - International



Labour Organization, 2021), the effectiveness of the minimum wage policy depends on many factors, including:

1. The extent to which the minimum wage provides protection to all workers in an employment relationship, including women, and young workers and migrant workers, regardless of their contractual arrangement, as well as all industries. and employment in economics (coverage);
2. Is it determined and adjusted at an adequate level covering the needs of workers and their families, taking into account economic factors (levels); and whether employers comply with minimum wage regulations (compliance).

### **Economical Aspect**

Labor as a factor of production is an investment in human resources and not as a cost. The workforce is a prospective income that has an important position because the overall success of the company is largely dependent on the workforce (Drábek et al., 2017). As economists consider that the factors of production consist of three main factors, labor - wages, land - rental income, and capital - interest income (Papava, 2017).

In economies of scale, the minimum wage has a value or price, it can influence decisions about the use of labor in producing goods and services. The minimum wage given or paid to workers is one of the most important aspects which is the main source of income for workers to meet a decent standard of living to pay for basic needs. If this is fulfilled, in general it will have a direct effect on the workforce (Cengiz et al., 2019) so that they will provide incentives to be productive and perform well (Meer & West, 2013) and be loyal to the company/employer

The minimum wage is an element of policy to address poverty and reduce inequality, including between men and women, by promoting the right to equal pay for work of equal value (ILO - International Labour Organization, 2021). Several types of measures can be used to address income and labor market inequalities, including pro-employment policies, social transfers, and creating an enabling environment for sustainable enterprises (ILO - International Labour Organization, 2021). The minimum wage is determined annually.

However, the determination of the minimum wage in Indonesia is carried out once a year in relation to the PMW. According to the laws and regulations, the implementation of the PMW is enforced in several provinces/regions in Indonesia after being determined by the governor and then announced by the Ministry of Manpower of the Republic of Indonesia. Economically, in general, the implementation of this PMW has implications for planning and company cash flow. In this context, the economic impact is for companies that have signed contracts with buyers before the year the PMW is set.

These companies tend to have difficulty in calculating labor costs as a factor of production. This is because the cost calculation does not take into account unexpected changes in the minimum wage, which contributes to an unexpected decline in profits (Smeru, 2001).

### **Legal Aspect**

Experts including Schults and Schults (2002), Xesha, et.al (2017) in (Hamid, 2020) state that the existence of workers and employers must be regulated in industrial relations which refers to applicable laws and regulations, especially those related to work. at workplace. The labor laws and regulations in question are matters related to work, including the level of wages/rewards, the nature of work, and others (Hamid, 2020), and the Indonesian government must have strategies and policies to make laws and regulations. comprehensive framework to protect workers in the era of globalization and free markets (Hamid, 2020).

The minimum wage refers to the binding nature of the minimum wage, regardless of the method of setting it, and can be determined by law, decisions of the competent authority, wage councils, wage councils, or by industrial or labor courts or tribunals and is regulated by giving legal force to the provisions collective agreement (ILO - International Labour Organization, 2021). The purpose of minimum wages is to protect workers from wages that are too low, and minimum wages help ensure a fair and equitable share of the proceeds of progress for all who work and need such protection (ILO - International Labour Organization, 2021).

Article 81 number 25 UUCK No.11/2020 which contains new Article 88E paragraph (1) UUK No.13/2003 that the minimum wage applies to workers with a working period of less than 1 (one) year in the company concerned. Then, Article 81 number 25 UUCK No.11/2020 which contains new Article 90A UUK No.13/2003 is to regulate workers/workers with a period of service of more than 1 (one) year and have been paid above the minimum wage. can be determined based on an agreement between the employer and the worker. Furthermore, Article 81 number 25 UUCK No.11/2020 which contains new Article 90B paragraph (1) UUK No.13/2003 stipulates that the minimum wage provisions are excluded for micro and small enterprises (MSMEs).

Based on various descriptions related to aspects of the provincial minimum wage (PMW) policy in industrial relations in Indonesia, it can be interpreted that wages are a very crucial problem in the field of employment. The minimum wage policy must be managed professionally in order to anticipate potential disputes, such as strikes and/or demonstrations. Therefore, the purpose of the PMW policy implemented is to provide legal protection for workers (Hamid & Hasbullah, 2021) from wages that are too low, and it is hoped that it can encourage the realization of justice for workers-entrepreneurs in the context of fulfilling the needs of a decent life so that the sustainability of economic activities can be achieved. keep going.

Thus, the level of decent wages and the practice of fair labor remuneration through the implementation of PMW policies in industrial relations in Indonesia have become critical issues and become the main focus of attention to be managed properly and correctly. This can be done through advocating labor standards with the aim of guaranteeing and protecting workers' rights in terms of wages.

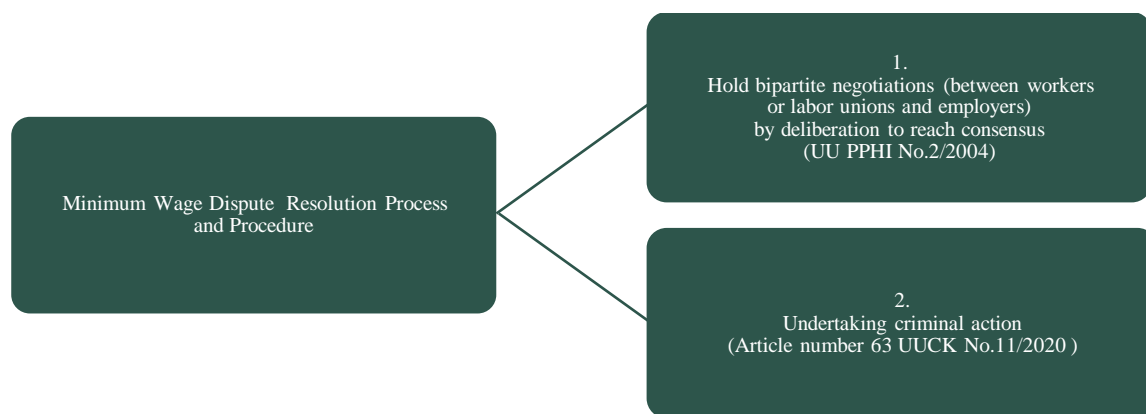
### **Law Enforcement for Entrepreneurs/Companies**

Minimum wages and employment have focused on how the legal wage base affects employment levels for the entire workforce (Meer & West, 2013). The minimum wage system should not be viewed or used in isolation, but should be designed in such a way as to complement and strengthen other social and labor policies (ILO - International Labour Organization, 2021). According to Simanjuntak (1993), the minimum wage can be viewed from two sides as follows:

1. The minimum wage as a means of protection for workers (Hamid, 2020) so that the value of the wages received does not decline because workers need a certain level of income to be able to meet the needs of themselves and their families; and
2. The minimum wage as a means of protection for employers in the sense that the company can succeed if it is supported by productive workers, one of the factors affecting worker productivity is the guarantee of the fulfillment of workers' needs.

Law Number 13 of 2003 concerning Manpower (UUK No. 13/2003) defines the minimum wage as the lowest monthly wage in the form of wages without allowances or basic wages including fixed allowances set by the governor as a safety net. According to UUCK No.11/2020 wages for daily workers/workers are set on a monthly basis which is paid based on the number of days of attendance with a daily wage calculation. Then, UUCK No.11/2020 regulates the working time system as follows: (1). For companies with a working time system of 6 (six) days a week, the monthly wages are divided by 25 (twenty five); and (2). For companies with a working time system of 5 (five) days a week, the monthly wages are divided by 21 (twenty one).

Employers/companies are required to comply with all provisions relating to the legislation as regulated in labor law (Hamid & Hasbullah, 2021). If the entrepreneur/company does not implement the provincial minimum wage (UMP) policy in Indonesia, the worker/worker can take action in accordance with the applicable labor law in Indonesia as described in Figure 2 below as follows:



**Figure 3.** Process and Procedure for Settlement of Disputes on Minimum Wages in Indonesia

From Figure 2 it can be understood that the process and procedure for resolving disputes regarding the minimum wage in Indonesia can be pursued in two ways as follows:

1. Using the process of resolving disputes over rights as regulated in Law Number 2 of 2004 concerning Settlement of Industrial Relations Disputes (*Undang-Undang Nomor 2 Tahun 2004 tentang Penyelesaian Perselisihan Hubungan Industrial* or UU PPHI No. 2/2004), and the procedure is as follows::

a. Hold bipartite negotiations (between workers or trade/labor unions and employers) by deliberation to reach consensus; (Article 3 paragraph 1 in conjunction with Article 1 number 10 UU PPHI No. 2/2004)

b. If within 30 days, the negotiations do not reach an agreement, one or the parties shall register the dispute with the agency responsible for the local manpower sector. At this stage, the workforce needs to submit evidence that bipartite negotiations have been carried out, but failed to reach an agreement (Article 3 paragraphs (2) and (3) in conjunction with Article 4 paragraph (1) of PPHI Law No.2/2004).

c. Because this is a rights dispute, after it has been recorded at the agency responsible for manpower affairs, mediation is carried out; (Number 6 General Elucidation of the PPHI Law No. 2/2004).

d. If mediation still does not result in an agreement, one of the parties can file a lawsuit to the Industrial Relations Court (Article 5 jo. Number 7 General Elucidation of the PPHI Law No. 2/2004).

2. Taking criminal action, litigating the issue of unpaid wages in accordance with

applicable regulations. In this case, the workforce/workers can report it to the police as regulated in Article 81 number 63 UUCK No.11/2020 which amends Article 185 paragraph (1) UUK No.13/2003. Article number 63 of the UUCK No. 11/2020 regulates that entrepreneurs who pay wages lower than the minimum wage are subject to imprisonment for a minimum of 1 year and a maximum of 4 years and/or a fine of at least IDR.100 million and a maximum of IDR 400 million .

## CONCLUSION

Based on various descriptions related to law enforcement that can be taken by workers against companies/entrepreneurs who do not implement the provincial minimum wage (PMW) policy in industrial relations as regulated in labor law in Indonesia. Efforts to enforce labor law by criminalizing companies/entrepreneurs who do not implement the provincial minimum wage (PMW) policy in industrial relations in Indonesia are very constructive efforts and can be used as a deterrent effect so as not to violate the law. This has a significant impact in building public trust in the law in order to avoid a pattern of conflict-based resolution through violence. Thus, legislation is needed as one of the methods and principles that are considered appropriate to guide state policies in the context of implementing a decent minimum wage policy for workers in order to maintain a reasonable standard of living. The consideration related to a decent minimum wage in the modern world is that labor as a worker is not a mere commodity. In fact, workers as workers have human rights

and economic rights to receive wages from their work in order to fulfill a decent living for humanity according to the constitution.

## SUGGESTIONS

Based on the various results of the discussion of this research, several suggestions that must be made by the government related to the implementation of the provision of provincial minimum wages in industrial relations in Indonesia are as follows.

1. The implementation of the PMW policy in industrial relations in Indonesia must be managed optimally related to increasing wages and workers' welfare, increasing the role of workers/laborers because it is considered to be still very limited.
2. Optimizing the implementation of the wage scale structure through laws and government regulations, both central and regional, to technically regulate the guidelines for setting a humane minimum wage
3. Optimizing literacy programs on PMW policies in industrial relations in Indonesia for the wider community, labor stakeholders, law enforcers and others.
4. The need for integrated and continuous supervision and supervision carried out by the regional government and the central government related to the implementation of the PMW policy in industrial relations in Indonesia.
5. Implement criminal sanctions for entrepreneurs/companies that do not implement the PMW policy in industrial relations in Indonesia which is expected to be an instrument of deterrent effect and can also be used to build public trust in the law.

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