

Juridical Analysis Of The Role Of The Wage Board In Determining The Minimum Wage In Batam City

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ABSTRACT

The determination of minimum wage is one of the instruments of state policy to realise social justice for workers, especially in guaranteeing a decent income and protecting weak economic groups. The Wage Council, as a tripartite institution consisting of elements of government, employers, and labour unions, has a strategic role in formulating minimum wage recommendations to regional heads. This research is motivated by the reality that although legal arrangements on the role of the Wage Council have been regulated in various regulations, the implementation in the field, especially in Batam City, has not fully reflected the principles of social justice as referred to in Articles 27 and 28D of the 1945 Constitution. This research aims to juridically analyze the role and function of Wage Council in the process of determining minimum wage for workers in Batam City, assess the obstacles faced, and provide solutions based on the theoretical approach of justice, legal system, and legal certainty. The research methods used are normative juridical and empirical juridical, with primary data obtained through interviews with government elements, trade unions, and employers, as well as secondary data in the form of legislation and legal literature. The results show that normatively the role of the Wage Board has a clear legal basis, but in its implementation there are still obstacles such as imbalance in bargaining position, political intervention, and weak supervision of the application of wage structures and scales. Solutions offered include strengthening regulations based on legal certainty, increasing the technical capacity of Council members, and participatory strategies that involve workers more actively. The research recommends institutional reform and strengthening transparency to ensure a fairer and more sustainable wage system.

Keywords: Wage Board, Minimum Wage, Labor Law, Batam City.

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INTRODUCTION

The minimum wage is a crucial mechanism in the labor system that safeguards workers' rights and promotes economic stability. In Batam City, recognised as a strategic industrial zone, the dynamics of minimum wage setting frequently exhibit conflicts of interest between workers advocating for welfare and companies prioritising competitiveness. The Wage Council, despite being a tripartite forum, exhibits poor usefulness. This research is crucial to evaluate the degree to which the Wage Council has embodied the principle of justice stipulated by the constitution.

Wage policies affect the well-being of individual employees, the investment environment, and regional economic development. An excessively high minimum wage may diminish investment attractiveness and promote industry relocation, whereas an inadequately low salary jeopardizes workers' well-being and exacerbates social inequality. Batam City, designated as a free trade zone and free port (KPBPB), confronts a quandary between sustaining a competitive investment environment and fulfilling the state's constitutional duty to safeguard workers' rights to a decent livelihood.

The establishment of the minimum wage in Batam frequently incites debate. Labor unions advocate for pay enhancements grounded in the Decent Living Needs (KHL) survey and the inflation rate, whereas employers contest this, referencing escalating production expenses. The local government faces a quandary, tasked with preserving industrial competitiveness while concurrently upholding workers' rights. This scenario underscores the strategic function of the Wage Council as a platform for tripartite talks, while political, economic, and institutional variables significantly shape its efficacy.

Moreover, it is essential to emphasise the legal dimensions of the pay process. Law No. 13 of 2003 on Manpower, Government Regulation No. 36 of 2021 on Wages, subsequently amended by Government Regulation No. 51 of 2023, and Minister of Manpower Regulation No. 13 of 2021 establish a definitive legal framework. Nonetheless, the execution of this legislation continues to encounter obstacles, especially regarding legal certainty and safeguarding for the substantial population of informal sector workers in Batam. This study aims to investigate the practical implementation of this legislative framework in further detail.

The necessity of this research is underscored by the reality that the minimum wage transcends a mere technical economic matter, encompassing social fairness as articulated in Articles 27 and 28D of the 1945 Constitution. These articles assert the entitlement of every citizen to equitable employment and a dignified standard of living, along with legal assurance of just treatment under the law. This study seeks to determine if the Wage Council's position in Batam City aligns with the concepts of justice, legal clarity, and the protection of workers' rights.

This study possesses both theoretical and practical value due to its complexity. This work theoretically enhances the examination of labor legislation concerning the function of the Wage Council within the national wage system. The findings of this study are anticipated to provide a reference for local governments, labor unions, employers, and legislators in developing equitable, transparent, and sustainable wage policies.

RESULT METHOD

This study employs a blend of normative and empirical legal methodologies. The normative legal approach involved analysing various laws and regulations about the Wage Council and minimum wage determination, alongside a review of relevant legal literature and doctrines, to assess the alignment of these regulations with the principles of justice, legal certainty, and the safeguarding of workers' rights. Simultaneously, the empirical juridical approach involved collecting primary data via comprehensive interviews with diverse pertinent stakeholders, including Wage Council members, officials from the Manpower Agency, trade union representatives, employers, and academics in Batam City. Secondary data was sourced from official documents, wage-related judicial rulings, the annual report of the Wage Council, and pertinent academic research.

The research site was situated in Batam City, a principal industrial region of Indonesia noted for its intricate industrial relations—the data collection methods comprised document analysis, structured interviews, and observation of Wage Council meetings. The data was qualitatively evaluated utilising John Rawls' theory of justice, Lawrence M. Friedman's theory of legal systems, and Sudikno Mertokusumo's theory of legal certainty as the analytical framework. The analysis was conducted through data reduction, data presentation, and conclusion formulation to fully understand the Wage Council's involvement in establishing the minimum wage in Batam City.

RESEARCH RESULT

This study yielded some significant findings regarding the function of the Wage Council in establishing the minimum wage in Batam City. Initially, the Wage Council possesses substantial legal credibility. This is confirmed in Law No. 13 of 2003 regarding Labor, Government Regulation No. 36 of 2021 concerning Wages in conjunction with Government Regulation No. 51 of 2023, and Minister of Manpower Regulation No. 13 of 2021, which delineate the responsibilities, functions, and operational procedures of the Wage Council. These statutes require the Council to advise local government leaders on establishing the minimum wage, considering the Cost of Living Index (KHL), inflation, and economic growth.

Secondly, empirical research indicates that executing the Wage Council's functions in Batam continues to encounter significant obstacles. Council sessions frequently feature discussions between labor unions advocating for substantial salary hikes and employers highlighting global economic realities and

industrial competitiveness. Local governments often have a quandary, since they must foster a favourable investment environment while safeguarding workers' rights to a fair income.

The analysis identified a disparity in bargaining strength inside the Wage Council. Employers typically possess superior financial data and economic rationale, but labor unions have restricted access to macroeconomic information. Consequently, the Council's proposals frequently appear conciliatory and fail to represent workers' genuine requirements adequately. This circumstance has resulted in employee discontent, prompting protests in Batam.

Fourth, political variables substantially impact the decision-making process. Regional leaders frequently consider political and economic factors when determining minimum salaries, leading to judgments that may not align with the Wage Council's recommendations. This establishes a disparity between normative regulations and practical implementation.

The investigation additionally revealed inadequate supervision of minimum wage enforcement. Numerous corporations continue to compensate employees at rates below the mandated threshold, citing fiscal limitations. Reports of wage infractions by workers frequently lack subsequent enforcement of stringent penalties. This occurrence illustrates deficiencies in law enforcement and insufficient support for workers.

Sixth, a discrepancy exists between workers in the formal and informal sectors. Formal employees enjoy greater protections, whilst informal labourers are generally insulated from minimum wage regulations. The prevalence of informal workers in Batam is considerable, particularly within the service industry, small commerce, and freelance contract employment.

Discussion

Regulatory Analysis and Legal Basis

The legislative foundation concerning the Wage Council is unequivocal. Nonetheless, the execution of this legislation has not been entirely efficacious. According to Sudikno Mertokusumo's idea of legal certainty, effective law must ensure protection and clarity for all stakeholders. Nevertheless, inadequate supervision has resulted in the frequent disregard of minimum wage regulations. This indicates a significant disparity between the written and the implemented law.

Implementation in Batam City

Wage council sessions are frequently controversial in practice. Employees reference KHL surveys and inflation, whereas employers highlight competitiveness and production expenses. Ultimately, the administration must adopt a centrist stance. Nevertheless, this compromise frequently lacks complete fairness for workers. In a specific year, the government sanctioned a projected 10% pay increase at just 5%, justified by the need to preserve the investment climate. This case illustrates that political and economic considerations outweigh the concept of equity for workers.

Barriers in the Wage Setting Process

The primary challenges encountered by the Wage Council consist of: (a) disparity in bargaining power between employees and employers; (b) political interference that skews decisions in favour of employers; (c) inadequate oversight of implementation; (d) insufficient technical expertise among Council members, particularly labour unions, to provide robust economic data. These impediments have hindered the Wage Council from executing its tasks effectively.

Social and Economic Impact

This circumstance has resulted in a rise in labour demonstrations in Batam. Protests featuring thousands of workers often ensue whenever the minimum wage is declared. This not only undermines social stability but also impacts the investment environment. Employers are apprehensive regarding elevated pay expectations, whilst employees believe their rights are inadequately safeguarded. This persistent violence may adversely impact Batam's reputation as a strategic investment region in the long term.

Solutions and Recommendations

To surmount these challenges, comprehensive solutions are requisite: (a) enhancing the technical capacity of labor unions to negotiate utilizing data; (b) engaging academics and independent experts in the wage-setting process; (c) ensuring transparency of macroeconomic data employed in minimum wage calculations; (d) augmenting labor supervision through an increase in both the quantity and quality of supervisors; and (e) enforcing stricter compliance with regulations against non-compliant companies.

Furthermore, the adoption of a sector-specific wage system should be contemplated. In this method, minimum salaries are established variably based on industry characteristics. Labour-intensive industries may possess distinct requirements compared to technology or financial services sectors. This approach is more equitable and pragmatic within Batam's diverse industrial framework.

Theoretical Analysis

According to John Rawls' theory of justice, the difference principle should underpin wage policy. Policy should favour the most disadvantaged segments of workers. However, this notion has not been actualised in Batam, as commercial and political interests predominantly sway decisions.

Lawrence M. Friedman's legal system theory indicates that the deficiencies noted in Batam highlight an imbalance among the three components of the legal system: legal structure (the Wage Council's lack of independence), legal substance (regulations subject to varied interpretations), and legal culture (insufficient legal awareness among industry participants). If these three criteria are not addressed, the efficacy of the Wage Council will remain compromised.

According to legal certainty theory, inadequate oversight and enforcement of regulations generate legal ambiguity for employees. This undermines the fundamental objective of the law, which is to ensure protection and clarity for all parties involved.

Case Study in Batam

The Salary Council proposed a minimum salary rise of Rp500,000 for a specific year, based on the KHL survey. The government granted a raise of only Rp300,000, citing the need to preserve industry competitiveness. This decision sparked massive demonstrations by labor unions, who believed the government was more favorable to employers. This instance demonstrates the disparity between normative regulations and political and economic activities.

Practical Implications

The findings of this study have significant ramifications for multiple stakeholders. Local governments require political fortitude to enact legislation that adheres to ideals of equity while minimizing reliance on political influence or financial contributions. Employers must enhance financial openness in pay

discussions to render the process more objective. Simultaneously, enhancing workers' legal and economic literacy is essential to achieving more equitable negotiating positions.

Future Perspective

Batam must establish a wage system that is more responsive to global dynamics. Batam's integration with worldwide markets necessitates an adaptable yet equitable wage system. Consequently, integrating a sector-specific strategy with social security provisions for low-income workers is worthy of consideration.

CONCLUSION

1. The legal framework governing the function of the Wage Council has been explicitly delineated in multiple statutes and regulations, including Law Number 13 of 2003 on Manpower, Law Number 6 of 2023 on Job Creation, Government Regulation Number 36 of 2021, Government Regulation Number 51 of 2023, and Ministerial Regulation Number 10 of 2022. These regulations establish a definitive legal foundation for the authority and role of the Wage Council in determining the minimum wage. Nonetheless, although aimed at safeguarding workers and promoting equity, practical clarification and refinement are necessary to ensure that the Council's mandate genuinely upholds workers' welfare in a just and proportional manner.
2. The execution of the Wage Council's responsibilities in Batam City has adhered to relevant legal protocols, including KHL surveys, tripartite forums, and the submission of recommendations to regional authorities. Nonetheless, empirically, the Council's role has been suboptimal in achieving the objective of fairness. The disparity in bargaining power, technical constraints among participants, and insufficient information openness result in recommendations that inadequately represent the genuine requirements of workers. Moreover, establishing the minimum wage, which neglects the intricacies of workers' socioeconomic circumstances, illustrates that distributive justice has not been effectively realized in regional pay laws.
3. The Wage Council encounters numerous challenges in fulfilling its responsibilities, including disproportionate bargaining power among participants in the tripartite forum, political interference in the wage-setting process, and inadequate enforcement of wage structures and scales within organizations. The impediments arise from a deficient legal framework, deficiencies in regulatory content, and a legal culture that fails to promote active engagement and collective consciousness regarding justice. Proposed solutions encompass regulatory reform grounded in the principle of legal certainty, enhancement of the institutional and technical capabilities of Council members, and strategies for public engagement and continuous advocacy to guarantee that minimum wage determination effectively promotes workers' welfare as a matter of justice.

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