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Industrial Relations and Human Resources Management in Indonesia: The Omnibus Law Impact

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ABSTRACT

Objectives: This study explores the impact of the implementation of the Omnibus Law—specifically the employment cluster—on industrial relations management and human resource management (HRM) in Indonesia.

Methodology: Employing a qualitative approach, the research integrates semi-structured interviews, literature reviews, and Analytic Network Process (ANP) analysis to identify challenges, solutions, and appropriate implementation strategies.

Finding: The findings reveal that the Omnibus Law introduces flexibility in managing industrial relations and HRM but also poses significant challenges, such as shifts in employment patterns, increased tensions between workers and employers, and concerns over worker welfare. Opposition from labor unions centers on issues such as the reduction of labor rights, the removal of limitations on fixed-term contracts, and flexibility that is perceived to disadvantage workers. Based on the analysis, an implementation model is proposed emphasizing sustainable tripartite dialogue, strengthening union capacity, welfare-oriented flexible work policies, and technology-based supervision.

Conclusion: This study offers strategic recommendations for fostering harmonious industrial relations and effective HRM within the framework of the Omnibus Law.

Keywords: Omnibus Law; Industrial Relations; Human Resource Management.

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INTRODUCTION

Governmental labor regulations are vital in shaping industrial relations and human resource management (HRM) practices, particularly in economies like Indonesia, which aims to address high unemployment while attracting foreign investment. As of 2020, unemployment in Indonesia reached approximately seven million individuals (Djaafara, 2023), highlighting the urgency for reforms. The introduction of the Omnibus Law on Job Creation (Law No. 11 of 2020) marked a significant shift in regulatory frameworks, consolidating various labor laws to promote investment by creating a more business-friendly environment. Among its ten clusters,

the employment cluster has drawn substantial attention and controversy due to its profound implications on industrial relations and HRM.

The Omnibus Law seeks to harmonize regulations, addressing inconsistencies in labor policies and introducing greater flexibility in employment terms (Nasution et al., 2024). Despite its potential economic benefits, the law has been met with resistance from labor unions and civil society groups, primarily over concerns regarding reduced worker rights, such as changes in fixed-term contract policies, wage regulations, and termination procedures (Eddyono, 2020; Irwansyah & Saleh, 2024). These issues underline the need for a balanced approach to labor law implementation, ensuring fairness for both employers and employees.

One of the primary reasons for the widespread opposition among workers is the perceived weakening of job security and labor protections. Labor unions have voiced concerns over clauses that remove limitations on fixed-term contracts, reduce the scope of collective bargaining, and diminish severance pay obligations. Additionally, the removal of long-standing safeguards such as the concept of "decent living standards" in determining minimum wages has fueled fears of declining worker welfare. Such provisions are seen as skewed in favor of employers, exacerbating distrust and creating a sense of disenfranchisement among workers who believe their rights and bargaining power are being systematically eroded. This opposition has manifested in widespread protests and legal challenges, reflecting deep societal unease with the law's labor-related provisions (Nisa et al., 2023).

Empirical data underscore the challenges posed by the law. From 2018 to 2023, investment levels in Indonesia grew significantly, yet labor absorption per USD 1 million invested decreased sharply, from 1,820 workers in 2020 to just 1,002 workers in 2023 (BPS RI, 2024). This decline suggests a structural shift toward capital-intensive industries, driven by technological advancements, which reduces manual labor demand. Such trends necessitate innovative industrial relations and HRM strategies to align workforce management with economic transformation.

While previous studies have explored specific aspects of the Omnibus Law, such as its impact on workplace flexibility (Saragih, 2024) and severance pay structures (Hermawan & Setiawan, 2024), comprehensive analyses of its broader implications on industrial relations and HRM are limited. This gap in research calls for a more holistic investigation into how the law influences organizational practices across diverse sectors in Indonesia.

This study aims to fill this gap by examining the employment cluster of the Omnibus Law through a qualitative approach, incorporating semi-structured interviews, literature reviews, and Analytic Network Process (ANP) modeling. It focuses on identifying critical challenges, such as reduced labor rights, tensions between employers and workers, and stakeholder resistance, while proposing strategies for effective implementation. Key research variables include regulatory flexibility, stakeholder responses, worker welfare, and technological supervision, which form the foundation of the proposed strategic framework.

By addressing these issues, the study contributes to academic and practical discourses, offering insights into the balance between labor regulation and economic competitiveness. The findings provide valuable recommendations for policymakers and practitioners in fostering harmonious industrial relations and effective HRM practices under the evolving regulatory landscape of Indonesia.

LITERATURE REVIEW

The implementation of the Omnibus Law in Indonesia, particularly its implications for the employment sector, has garnered substantial scholarly attention in recent years. This law is designed to simplify regulations, enhance the attractiveness of the investment climate, and ultimately stimulate economic growth. However, it also raises critical concerns regarding labor rights, job security, and the overall welfare of workers. Current literature indicates that while the Omnibus Law aims to facilitate business operations and reduce bureaucratic obstacles, it simultaneously introduces vulnerabilities for workers, disrupting established protections (Kususiyanah et al., 2024).

Omnibus Law, as a legislative approach, refers to the consolidation of multiple laws into a single legal framework to address regulatory overlaps and inconsistencies (Muslim et al., 2024). In Indonesia, its introduction through the Job Creation Law aimed to streamline processes, reduce bureaucratic inefficiencies, and attract foreign investment. However, the law has been criticized for diminishing labor protections and weakening collective bargaining rights, reflecting a shift in regulatory priorities (Eddyono, 2020).

Industrial relations, defined as the interaction between employers, employees, and government within the workplace, are crucial for maintaining harmonious and productive work environments (Wilkinson et al., 2018). This field encompasses collective bargaining, dispute resolution, and labor policy formulation, highlighting the importance of balanced power dynamics among stakeholders (Raspanti, 2022). The Omnibus Law has significantly altered these dynamics by introducing flexible employment contracts and reducing restrictions on outsourcing, which, while beneficial for employers, raise concerns over job security and equitable treatment of workers (Saragih, 2024).

Human resource management (HRM) is a strategic organizational function focused on optimizing workforce performance to achieve business goals (Dessler, 2017). Core HRM practices include recruitment, training, performance evaluation, and employee relations, all of which are influenced by external regulatory environments (Armstrong, 2020). The Omnibus Law's emphasis on operational efficiency necessitates adaptive HRM strategies to align organizational objectives with the evolving legal landscape, ensuring compliance while safeguarding employee welfare (Guest, 2024).

In examining the constructed research variables related to this phenomenon, various theoretical frameworks emerge as relevant. Industrial Relations Theory forms a fundamental basis for understanding the relationships among employers, employees, and the regulatory state. This theory emphasizes the balance of power within the workplace and suggests that effective industrial relations are essential for fostering cooperative environments that benefit all parties involved (Colling & Terry, 2010). Through the lens of this theory, the Omnibus Law presents a complex dynamic—while it offers flexibility for employers, it potentially undermines protections that are essential for workers' security and stability in employment. Furthermore, HRM theories provide additional insight, highlighting the need for organizations to align their internal policies with existing external regulations to optimize operational effectiveness and ensure employee satisfaction (Guest, 2024).

The state-of-the-art of research in this field reflects a variety of recent studies that delve into the multifaceted implications of the Omnibus Law. For example, Saragih (2024) investigates how the regulatory changes initiated by the law influence work flexibility and employee

productivity. His findings reveal that although the law enhances operational agility, it simultaneously raises serious concerns over job security, indicating the necessity for organizations to develop robust and adaptable systems. Similarly, Balahmar (2024) conducts a qualitative analysis of industrial relations during the Covid-19 pandemic, demonstrating how the Omnibus Law has shifted the focus of labor disputes from those centered on rights to conflicts based on interests, thereby altering the negotiation landscape and dynamic interactions between employees and employers.

Further, Nisa et al. (2023) highlight the law's impact on wage regulations, where new provisions align wage adjustments with worker protection but simultaneously render some pre-existing labor laws obsolete. This creates regulatory gaps that demand careful integration into broader legal frameworks. Harryarsana et al. (2023) focus on gendered implications, revealing that women workers bear disproportionate vulnerabilities under the law due to reduced minimum wages and a higher likelihood of termination without sufficient legal recourse. On the economic front, Jazuli et al. (2022) critique the law's limited relevance to enhancing national competitiveness, emphasizing the need for strong institutional frameworks to support sustainable growth. Similarly, Sanders et al. (2024) explore the law's implications for rural youth and agriculture, demonstrating how it restricts opportunities for secure employment while promoting extractive industries that prioritize short-term economic benefits over long-term sustainability.

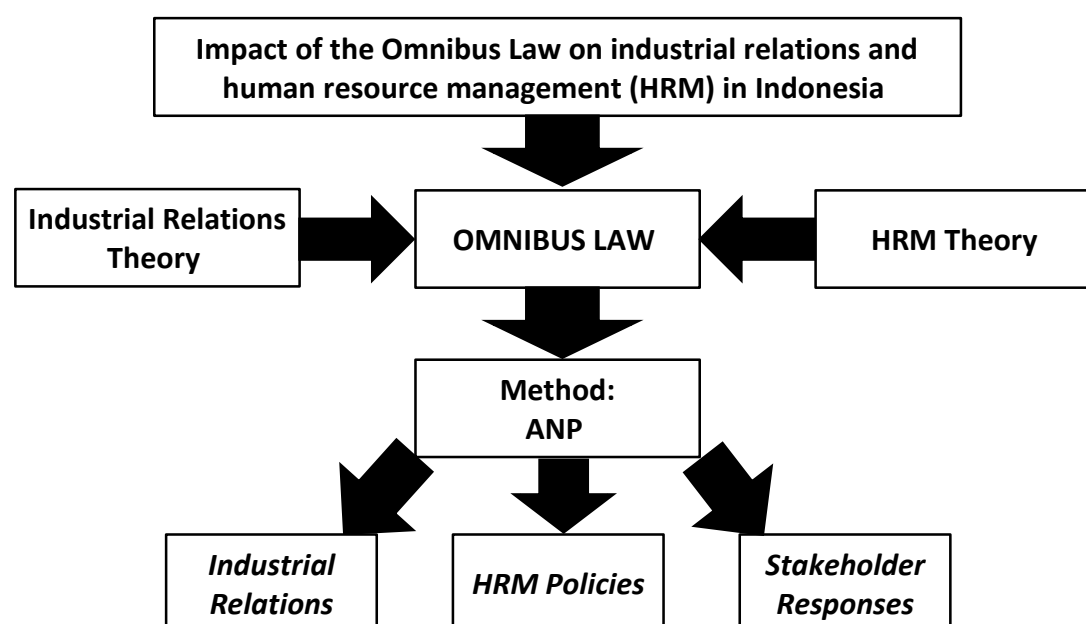
Despite these diverse insights, there remains a notable gap in empirical studies that holistically assess the Omnibus Law's cross-sectoral impacts. Most studies focus on isolated issues, as seen in *Hermawan & Setiawan (2024)* exploration of reduced severance pay in the electronics sector and Putra et al. (2021) critique of inadequate safeguards against labor conflicts. This underscores the necessity for integrated approaches that address the law's broader social, economic, and industrial implications. The current research seeks to fill this gap by adopting advanced methodologies like the Analytic Network Process (ANP), offering a comprehensive model for harmonizing industrial relations and improving HR management strategies under the Omnibus Law framework.

The novelty of this study lies in its integrative approach, which bridges theoretical concepts with practical applications. By utilizing the ANP methodology, the research not only identifies the challenges and opportunities arising from the Omnibus Law but also provides a structured model that can be adapted across various industrial sectors. This approach enables the development of tailored strategies that align regulatory frameworks with organizational needs, ensuring both economic competitiveness and worker welfare are adequately addressed. Furthermore, the study expands the discourse by incorporating stakeholder perspectives, offering a more nuanced understanding of how the law impacts diverse interest groups and fostering a collaborative pathway toward sustainable industrial relations.

The conceptual framework of this study revolves around the impact of the Omnibus Law on industrial relations and human resource management (HRM) in Indonesia (Figure 1). Grounded in Industrial Relations Theory (*Colling & Terry, 2010*) and HRM Theory (Armstrong, 2020; Dessler, 2017), the study explores the shifting dynamics between employers, employees, and regulatory authorities. The Analytic Network Process (ANP) (Gonzalez-Urango et al., 2024) serves as a methodological foundation to identify key challenges, assess stakeholder responses, and propose strategic solutions. The framework is structured around three primary dimensions: industrial relations, HRM policies, and stakeholder responses. The industrial relations aspect

examines the increasing flexibility in employment contracts, the expansion of outsourcing provisions, the weakening of collective bargaining, and concerns over worker welfare. Meanwhile, the HRM dimension explores how companies adapt to regulatory changes by implementing flexible work policies, modifying termination procedures, and leveraging technology for compliance monitoring. The stakeholder response dimension highlights the varied reactions from labor unions, employers, and government institutions, focusing on resistance, adaptation strategies, and policy discourse.

Figure 1. Conceptual Framework



METHOD

This study employs a qualitative research methodology to examine the impact of the Omnibus Law, particularly its employment cluster, on industrial relations and human resource management (HRM) in Indonesia. The qualitative approach is chosen to provide a nuanced understanding of the complex interactions between regulatory changes and their implications for various stakeholders. Data collection methods include semi-structured interviews with eight key informants, document analysis, and the application of the ANP. This methodological combination enables a comprehensive exploration of the challenges and opportunities posed by the Omnibus Law while incorporating diverse perspectives from workers, employers, labor unions, and policymakers.

The study involves eight informants with significant expertise and roles in labor relations, representing various stakeholder groups. These include labor inspectors from government agencies, leaders of prominent labor unions, corporate HR executives, legal scholars, and practitioners from professional associations in industrial relations. The semi-structured interviews are designed to gather insights into the changes in work patterns, stakeholder dynamics, and the regulatory impacts on industrial relations. This method ensures flexibility to

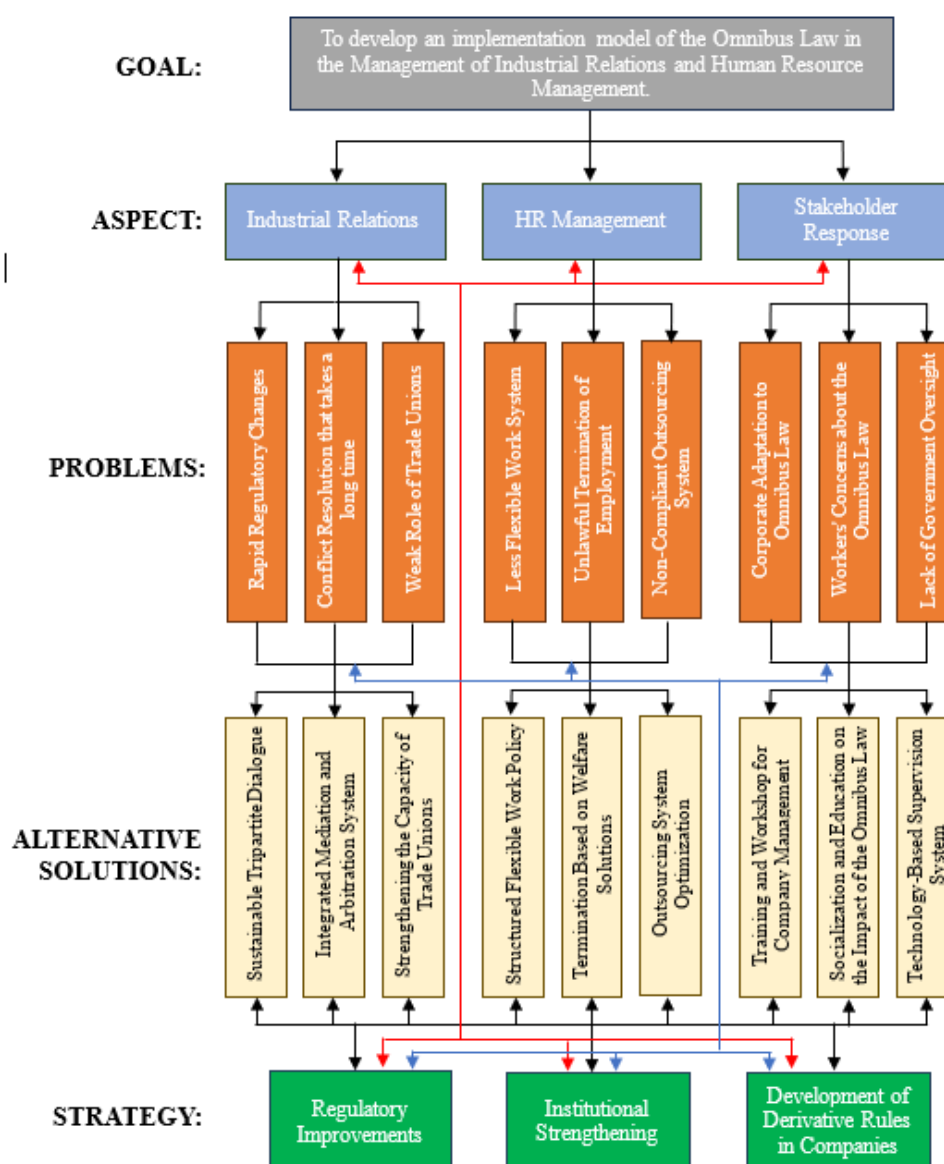
explore specific issues deeply while maintaining consistency with the overarching research objectives.

The Analytic Network Process (ANP) is a decision-making methodology used to analyze complex problems involving multiple criteria and interdependent relationships. It extends traditional decision-making approaches by enabling the consideration of feedback and interactions among decision elements (Gonzalez-Urango et al., 2024). The ANP method consists of three stages: First, detailed interviews are held with experts, practitioners, and regulators to identify key factors related to the research topic. In the second stage, the interview results are used to construct the relevant ANP network and develop a questionnaire for data gathering. The final stage involves using ANP analysis to rank alternative solutions and strategic policies based on the collected data (*Jubaidah & Widigdo, 2023*).

In this research, the ANP is utilized to identify and prioritize critical factors affecting the implementation of the Omnibus Law. The ANP framework incorporates input from the same eight informants, allowing for a structured analysis of interrelated challenges and potential solutions. This tool effectively addresses the interconnected nature of industrial relations and HRM challenges. The results from the ANP analysis underpin the development of a practical implementation model that emphasizes tripartite dialogue, welfare-oriented work flexibility, and technology-driven supervision. By combining qualitative insights from interviews with the structured prioritization provided by ANP, this study delivers a comprehensive and actionable understanding of the Omnibus Law's implications.

The ANP model, presented in Figure 2, focuses on three main aspects: industrial relations, HRM, and stakeholder response. Each aspect is associated with various challenges, such as rapid regulatory changes, inflexible work systems, and workers' concerns regarding the Omnibus Law. To address these challenges, alternative solutions such as sustained tripartite dialogue, flexible work policies, and the enhancement of technology-based supervision have been formulated and integrated into three key strategies: regulatory improvements, institutional strengthening, and the development of derivative regulations at the company level. The interconnections among the elements in this model illustrate the dynamic interactions between the aspects, challenges, solutions, and strategies, aiming to facilitate an effective and sustainable implementation of the Omnibus Law.

Figure 2. ANP Model



RESULTS AND DISCUSSION

Results

The interviews provided a comprehensive understanding of the Omnibus Law's perceived impacts on industrial relations and human resource management in Indonesia, offering diverse perspectives from government officials, academics, employers, and labor union representatives. Government and academic respondents regarded the Omnibus Law as a strategic reform to streamline labor regulations and attract investments, with a government official stating, *"The law provides the flexibility needed for businesses to adapt to global economic dynamics, particularly in the labor market"*. In contrast, labor unions expressed apprehensions about potential erosion of workers' rights, highlighting a shift in power dynamics that favors

employers. One union representative noted, *"The law reduces our ability to advocate for workers and shifts the balance heavily toward employers"*.

The removal of time limits for fixed-term contracts (PKWT) emerged as a key change, offering businesses greater flexibility in managing workforce needs. A practitioner remarked, *"The new framework enables us to tailor contracts to project timelines without bureaucratic constraints"*. However, labor unions warned of the insecurity this creates for workers, as one respondent noted, *"Workers face prolonged uncertainty, as they may remain in perpetual contract employment without stability"*. Similarly, the introduction of flexible working hours, such as part-time arrangements and shift flexibility, was welcomed by employers aiming to optimize operations. *"Flexibility in scheduling helps us manage peak demands without committing to fixed working arrangements,"* said one employer. Workers, however, raised concerns about exploitation, with an employee stating, *"We are often made to work extended hours under the guise of flexibility, without proper compensation"*.

The expanded outsourcing provisions, which now allow nearly all functions to be outsourced, were perceived by employers as a means to enhance efficiency, enabling companies to focus on core activities. An academic explained, *"This change allows companies to concentrate on core activities by delegating non-core operations"*. However, labor unions saw this as a threat to job security, with one respondent asserting, *"This policy undermines workers' stability by making even critical roles subject to outsourcing"*. In addition, the simplification of termination procedures (PHK) was viewed positively by employers for reducing bureaucratic delays, with a business owner stating, *"The simplification ensures clarity and expedites workforce restructuring when necessary"*. Labor unions, however, criticized the lack of mandatory pre-termination negotiations, arguing, *"This process denies workers a fair chance to contest or negotiate their dismissal"*.

Minimum wage determination under the new law, which ties wages to productivity and economic conditions rather than a "decent living standard," was welcomed by employers seeking cost control. An employer remarked, *"This policy helps align wages with market realities and ensures business sustainability"*. Workers, however, expressed discontent, with a union leader arguing, *"By removing the living standard benchmark, the law risks pushing wages to unacceptable levels"*. While large corporations utilized the law's flexibility to enhance training programs, smaller businesses reportedly reduced their training budgets. A practitioner observed, *"The flexibility allows us to invest in strategic skill development for our employees"*, though workers expressed concerns about declining professional growth opportunities.

The introduction of Alternative Dispute Resolution (ADR) mechanisms was seen as a step toward faster conflict resolution. *"ADR reduces the time and complexity involved in resolving disputes,"* noted an academic. Workers, however, were skeptical about the fairness of these mechanisms, reflecting a need for greater impartiality. Furthermore, labor unions reported diminished influence under the new framework, with one union leader stating, *"The law shifts negotiations toward bipartite agreements, often leaving unions sidelined"*.

Government representatives emphasized their efforts to socialize the law, with one official stating, *"Extensive consultations were conducted to ensure awareness and preparedness"*. However, unions criticized these efforts as insufficient, particularly for grassroots workers. Employers appreciated the law's potential for operational efficiency but expressed concerns

over legal ambiguities, with one employer remarking, “*Ambiguities in the law create hesitation, especially in critical decisions like hiring and termination*”.

Respondents proposed various solutions to address these challenges. Labor unions called for stronger tripartite dialogues and improved worker protections, while employers sought clearer regulations to reduce uncertainties. Academics recommended enhanced workforce training and welfare programs to strike a balance between business needs and worker rights. As one academic emphasized, “*Balanced reforms that address both business needs and worker protections are essential for sustainable implementation*”.

The ANP analysis provided a structured framework for prioritizing key issues, solutions, and strategies related to the Omnibus Law’s implementation. It categorized findings into three primary clusters: Industrial Relations, HRM, and Stakeholder Responses, each interlinked to reflect their systemic interdependencies. In the Industrial Relations cluster, the analysis identified rising labor disputes, ambiguities in minimum wage regulations, and insufficient communication channels as the most pressing issues. Stakeholders ranked wage policy conflicts as the top concern, emphasizing their role in exacerbating tensions between employers and workers. These challenges highlighted the need for clearer regulatory guidelines and more robust dispute resolution mechanisms.

In the HRM cluster, key issues included unclear contract terms and a perceived decline in job security, both of which negatively impacted talent acquisition and retention. The focus on regulatory compliance overshadowed initiatives like training and development, which are essential for long-term workforce sustainability. As one HR leader explained during the analysis, “*Companies are diverting resources toward legal compliance, leaving little room for employee development programs.*” The Stakeholder Responses cluster emphasized the centrality of union resistance in shaping the law’s implementation process. Union leaders expressed dissatisfaction with the perceived reduction in worker protections, which they argued could undermine the balance of power between labor and management. The analysis highlighted that resistance stemmed from both substantive grievances and inadequate communication about the law’s objectives and provisions.

The results of the ANP analysis are presented in Table 1. The ANP analysis categorizes findings into four main clusters: aspects, issues, alternative solutions, and strategies, each with weighted sub-clusters and elements reflecting their significance. The aspects cluster highlights the predominance of industrial relations (0.399), followed by stakeholder responses (0.308) and HRM (0.293). Key issues include prolonged conflict resolution (0.136) and insufficient government oversight (0.121). Proposed alternative solutions prioritize sustainable tripartite dialogue (0.156) and socialization of the Omnibus Law’s impacts (0.126), emphasizing the need for collaborative and educational approaches. The strategies cluster underscores regulatory improvements (0.345) and institutional strengthening (0.317) as critical for balancing flexibility and protections. These insights demonstrate the interconnected challenges and recommend actionable pathways to ensure equitable and effective implementation of the Omnibus Law.

Table 1. The ANP Result

No.	Cluster	Sub-Cluster	W	Element	Eigen Value
1.	Aspect		0.457	Industrial Relations	0.399
				Human Resource Management	0.293
				Stakeholder Responses	0.308
				Rapid Regulatory Changes	0.117
2.	Problems	Industrial Relations	0,062	Prolonged Conflict Resolution	0.136
				Weak Role of Labor Unions	0.121
				Lack of Flexible Work Systems	0.095
				Non-Compliance in Layoff Procedures	0.098
		Human Resource Management	0,045	Non-Adherence in Outsourcing Systems	0.107
				Corporate Adaptation to the Omnibus Law	0.106
				Workers' Concerns about the Omnibus Law	0.100
				Lack of Government Oversight	0.121
		Stakeholder Responses	0,097	Sustainable Tripartite Dialogue	0.156
				Integrated Mediation and Arbitration System	0.088
				Strengthening Labor Union Capacities	0.131
				Structured Flexible Work Policies	0.101
3.	Alternative Solutions	Human Resource Management	0,128	Welfare-Based Layoff Solutions	0.112
				Optimization of Outsourcing Systems	0.081
				Training and Workshops for Company Management	0.110
				Socialization and Education on the Omnibus Law's Impacts	0.126
		Stakeholder Responses	0,437	Technology-Based Supervision Systems	0.095
				Regulatory Improvements	0.345
				Institutional Strengthening	0.317
				Development of Derivative Rules within Companies	0.338
4.	Strategy		0,106		

Source: primary data processed, 2024

The ANP model synthesized these findings into prioritized solutions:

1. Sustainable Tripartite Dialogue: Establishing regular, structured forums for collaboration among the government, employers, and unions to address disputes and build trust.
2. Union Empowerment: Providing targeted training and resources to labor unions, enhancing their capacity for negotiation and advocacy.
3. Welfare-Oriented Flexibility: Designing work arrangements that balance operational flexibility with robust protections for workers.
4. Technology-Driven Supervision: Leveraging digital tools and real-time monitoring systems to ensure compliance and transparency.
5. Comprehensive Socialization Campaigns: Conducting widespread educational initiatives to improve stakeholder understanding of the law, address misconceptions, and foster broader acceptance.

The ANP model's interconnected clusters underscored the feedback loops among these issues, such as how unresolved labor disputes could exacerbate HR challenges and deepen stakeholder resistance. This network-based approach provided actionable insights for policymakers and business leaders to address systemic challenges, ensuring a more balanced and effective implementation of the Omnibus Law.

Discussion

The Omnibus Law introduces significant flexibility in labor relations, impacting employers and employees in contrasting ways. Employers benefit from streamlined procedures for hiring, layoffs, and contracting, which align with *Armstrong's (2020)* perspective on strategic HRM—focusing on organizational adaptability and competitive advantage. The law's provisions aim to simplify administrative processes, encouraging investment and operational efficiency. However, employees face increased uncertainty due to relaxed restrictions on fixed-term employment contracts (PKWT), outsourcing practices, and layoff procedures. This flexibility aligns with the dynamic capabilities framework but risks undermining job security, a key component of *Dessler's (2017)* HRM principles emphasizing workforce stability and motivation.

Data from ANP analysis highlights critical issues across stakeholders. Employers prioritize reduced bureaucratic burdens and greater adaptability in workforce management. Conversely, employees express concerns over job security, equitable compensation, and fair treatment—echoing concerns raised by *Wilkinson et al. (2018)* regarding industrial relations' focus on power dynamics and worker protection. The findings reveal a need to balance corporate flexibility with worker welfare, emphasizing the dual role of HRM as both a strategic enabler and a steward of employee well-being.

Labor unions have vehemently opposed the Omnibus Law, particularly its Employment Cluster, citing key issues. The removal of the “living wage” benchmark in minimum wage calculations has led to fears of declining real wages, as unions argue this undermines equitable compensation principles (*Eddyono, 2020*). Such a condition is understandable, as compensation is a crucial factor for employees in supporting company performance (*Paijan et al., 2024*). Furthermore, the elimination of limits on PKWT duration raises concerns about the proliferation of precarious work arrangements, which reduce long-term employment stability. This aligns with *Kaufman's (2004)* principles of industrial relations, emphasizing the need for institutional mechanisms to balance employer-employee power dynamics.

The expanded scope of outsourcing, allowing for the subcontracting of previously restricted job types, intensifies union concerns over diminished collective bargaining power. Interviews with labor representatives underscore these anxieties, highlighting fears of reduced employer accountability and eroded job protections. Additionally, the procedural simplification of layoffs shifts negotiation dynamics in favor of employers, further straining industrial relations.

To address these challenges, the study proposes a tripartite model emphasizing collaboration among government, employers, and labor unions. This model draws on best practices identified in previous research and aligns with theoretical underpinnings in HRM and industrial relations.

1. **Strengthening Social Dialogue:** Regular forums for discussion between stakeholders to address grievances, negotiate terms, and foster mutual understanding. Leveraging technology platforms, as highlighted in ANP findings, can enhance transparency and accessibility, supporting participative decision-making processes as described by *Bratton & Gold (2017)*.
2. **Capacity Building for Unions:** Training programs to enhance union representatives' negotiation skills and knowledge of labor laws, ensuring effective advocacy for workers' rights. This approach resonates with *Noe's (2019)* emphasis on HRM's role in employee development and empowerment.

3. **Welfare-Oriented Flexibility Policies:** Developing employment arrangements that balance flexibility for employers with safeguards for workers, such as fair wages, benefits, and job security. Such policies align with the balanced scorecard framework, integrating employee satisfaction into strategic goals.
4. **Enhanced Supervision Mechanisms:** Utilizing digital tools and analytics to monitor compliance with labor laws, ensuring adherence to fair practices and mitigating violations. This approach reflects *Dessler's (2017)* emphasis on technology's role in modern HRM.

Findings from the ANP analysis prioritize key issues such as the clarity of legal frameworks, stakeholder capacity, and oversight mechanisms. Interviews with employers and workers reveal divergent perceptions: while employers appreciate procedural efficiencies, workers emphasize the need for robust safeguards against exploitation. Previous studies, such as Alfathoni et al. (2023) and Hamid (2021), corroborate these findings, identifying similar challenges in balancing flexibility and protection under the Omnibus Law.

The Omnibus Law exemplifies the tension between economic liberalization and social equity. While proponents highlight its potential to boost investment and job creation, critics warn of exacerbated income inequality and labor market vulnerabilities. International comparisons, such as the labor reforms in Malaysia and Vietnam, suggest that successful implementation requires robust social safety nets and enforcement mechanisms (Raspanti, 2022). For Indonesia, lessons from these contexts underscore the importance of inclusive policies and effective oversight to mitigate adverse impacts.

This study highlights the need for longitudinal research to assess the long-term effects of the Omnibus Law on employment patterns, worker satisfaction, and organizational performance. Some compelling topics for further exploration include Organizational Citizenship Behavior (OCB) (Soelton et al., 2024), environmental concern (*Widi & Ramli, 2024*), green awareness (*Raihan & Ramli, 2024*), green HR practices, and green employee behavior (*Sari & Soelton, 2024*). Comparative studies involving other nations' labor reforms can further contextualize Indonesia's approach, providing valuable insights for policymakers. Building on Saragih (2024) and *Hermawan & Setiawan's (2024)* sector-specific studies, future research should explore broader trends across industries.

CONCLUSION

This research explores the impact of the Omnibus Law's Employment Cluster on the management of industrial relations and HRM in Indonesia. Employing a combination of qualitative methods, such as semi-structured interviews, and advanced analytical tools like the Analytic Network Process (ANP), the study delves into the multifaceted challenges, stakeholder responses, and strategic pathways necessary for effective implementation. The findings highlight the law's dual-edged nature, offering significant operational flexibility for employers while raising substantial concerns over worker security and welfare.

The Omnibus Law introduces streamlined processes for hiring, outsourcing, and layoffs, which are viewed favorably by employers as mechanisms to enhance efficiency and attract investment. However, these benefits come at a considerable cost to labor rights, particularly in terms of job stability and equitable treatment. Workers and labor unions express apprehensions about the erosion of fundamental protections, including adjustments to minimum wage benchmarks, the

removal of restrictions on fixed-term contracts, and expanded outsourcing provisions. Simplified layoff procedures further exacerbate fears of weakened bargaining power and job precarity among employees. These contrasting perspectives underscore the critical need for a balanced approach that harmonizes economic goals with social equity.

To address these challenges, the study proposes a collaborative tripartite model involving the government, employers, and labor unions. The model emphasizes the importance of regular social dialogue to foster mutual understanding and resolve grievances, along with capacity-building initiatives to strengthen union representation and negotiation skills. Welfare-oriented flexibility policies are recommended to ensure that organizational adaptability does not compromise essential worker rights. Additionally, the integration of technology-driven supervision mechanisms is highlighted as a means to monitor compliance effectively and uphold labor standards.

The research contributes to the theoretical discourse by linking the provisions of the Omnibus Law with established HRM and industrial relations frameworks. It aligns with Armstrong's strategic HRM principles and Kaufman's industrial relations theories, advocating for the delicate balance between operational efficiency and worker welfare. Practically, the findings offer valuable insights for policymakers, employers, and labor unions. Policymakers are encouraged to strengthen regulatory frameworks, improve communication and capacity-building efforts, and implement targeted social safety nets to mitigate vulnerabilities. Employers, on the other hand, must align organizational practices with ethical labor standards, while unions are urged to adopt adaptive strategies and engage constructively in tripartite dialogues.

The study's implications extend to policy and practice, underscoring the necessity of a nuanced implementation approach that accommodates both economic modernization and social justice. Future research should further explore the long-term impact of the law on employment patterns, productivity, and industrial relations dynamics. Comparative analyses with labor reforms in similar socio-economic contexts and longitudinal studies on stakeholder interactions could provide deeper insights. By addressing these avenues, future scholarship can contribute to the development of labor policies that are both inclusive and effective, ensuring that Indonesia's pursuit of economic growth is equitably balanced with the protection of worker welfare.

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