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Corporate Criminal Liability for Substandard Wage Violations: A Case Study of PT. Sahabat Lingkungan Hidup

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ABSTRACT

This study examines the enforcement of corporate criminal liability for labor law violations in Indonesia through an in-depth qualitative case study of PT. Sahabat Lingkungan Hidup. Despite Indonesia's comprehensive legal framework guaranteeing minimum wages, employment security, and social protection, findings reveal persistent and deliberate non-compliance by the company, including underpayment of wages, denial of overtime and annual leave, misclassification of workers, and non-enrollment in social security programs. Data collected from legal documents, interviews, and field observations demonstrate that institutional fragmentation, limited enforcement capacity, and bureaucratic inaction have rendered existing sanctions ineffective. The analysis integrates labor protection theory, the enforcement pyramid model, and political economy perspectives to explain how weak state capacity and overlapping jurisdictions sustain a culture of impunity. The study concludes that legislative reforms—such as the Job Creation Law—remain insufficient without stronger institutional coordination, adequate resources, and political commitment. Strengthening inspectorate capacity, enhancing inter-agency collaboration, and prioritizing labor rights enforcement are essential to transforming Indonesia's formal labor protections into meaningful workplace realities.

Keywords: *Corporate Criminal Liability, Minimum Wage Violations, Labor Rights, Regulatory Enforcement, Labor Law Compliance*

INTRODUCTION

Indonesia's industrial expansion over the past two decades has been accompanied by significant economic growth, positioning the country as the largest economy in Southeast Asia and a member of the G20.¹ Despite these macroeconomic achievements, improvements in workers' welfare have lagged behind. The benefits of economic growth have been distributed unevenly, and workers in manufacturing and service sectors continue to experience stagnant real wages and deteriorating working conditions.² In recent years, a concerning pattern has emerged in which corporations systematically evade minimum wage regulations with minimal legal repercussions. Approximately 30 to 40 percent of Indonesian workers earn below the legally mandated minimum wage in their respective regions, indicating widespread non-compliance.³ This situation reflects structural weaknesses in the enforcement system, including inadequate sanctions, limited inspection capacity, and poor institutional coordination, which together make non-compliance an economically rational strategy for cost reduction.⁴

Indonesia's minimum wage policy operates through a multi-tiered framework that combines national guidelines with regional determinations. Provincial governments set annual wage floors based on living cost surveys, economic conditions, and tripartite negotiations between government representatives, employer associations, and labor unions.⁵ However, this decentralized approach has produced significant regional disparities and complex compliance challenges. The fragmentation of enforcement authority among the Ministry of Manpower, provincial inspectorates, and civil investigative units often leads to weak

¹ World Bank Group, *Financial Deepening for Stronger Growth and Sustainable Recovery*, vol. 23, 2022.

² S Tjandra, "Labour Law and Development in Indonesia," *US-China Law Review*, 2016, accessed October 9, 2025, <https://hdl.handle.net/1887/37576>; Muhamad Purnagunawan, Devanto Shasta Pratomo, and Daniel Suryadarma, "Labour Market and Firm Competitiveness in Indonesia : Issues and Challenges," *The Indonesian Economy* (September 1, 2017): 192–212, accessed October 9, 2025, <https://www.taylorfrancis.com/chapters/oa-edit/10.4324/9781315161976-8/labour-market-firm-competitiveness-indonesia-muhamad-purnagunawan-devanto-shasta-pratomo-daniel-suryadarma>.

³ BPS, "Statistical Yearbook of Indonesia 2018," *Badan Pusat Statistik*, last modified 2021, accessed July 16, 2025, <https://www.bps.go.id/id/publication/2021/02/26/938316574c78772f27e9b477/statistik-indonesia-2021.html>.

⁴ Teri L. Caraway and Michele Ford, *Labor and Politics in Indonesia* (Cambridge University Press, 2020), <https://www.cambridge.org/core/product/identifier/9781108777858/type/book>.

⁵ ILO (International Labour Organization), "Promoting Decent Work in Garment Sector Global Supply Chains: Highlights and Insights from the ILO Project" (2019), https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/projectdocumentation/wcms_681644.pdf.

coordination and overlapping jurisdiction, creating regulatory gaps that employers exploit.⁶

The case of PT. Sahabat Lingkungan Hidup serves as a paradigmatic example of how these institutional weaknesses manifest in practice. Operating in the environmental services sector, the company has persistently violated minimum wage regulations and systematically denied its workers legally guaranteed rights. The violations are not isolated or accidental but rather deliberate, sustained, and well-documented. Employees have been deprived of overtime compensation, annual leave entitlements, and proper employment classification where permanent employees have been misrepresented as contract workers to avoid obligations such as job security, severance pay, and other statutory benefits.⁷ Furthermore, the company has failed to register its employees with the national social security programs, BPJS Ketenagakerjaan and BPJS Kesehatan, thereby depriving them of health insurance, work injury protection, old-age savings, and pension benefits.⁸ These practices exemplify structural failures in labor law enforcement and reveal a culture of impunity reinforced by weak institutional oversight.

The theoretical foundation of this study draws on the concept of labor protection—*arbeidsbescherming*—which in Dutch legal tradition refers to the body of legal safeguards designed to prevent exploitation and ensure fairness in the employment relationship.⁹ This framework recognizes the inherent power asymmetry between employers and employees, where the former possess greater economic and structural control. Labor protection law therefore seeks to create enforceable rights that uphold human dignity and fairness at work. It operates through substantive standards such as minimum wages and working hours, procedural rights including collective bargaining and representation, and enforcement mechanisms involving inspection, sanction, and adjudication. However, the effectiveness of these protections depends heavily on the strength and credibility of enforcement systems. The enforcement pyramid model proposed by Ayres and Braithwaite highlights a graduated approach to regulation—beginning with education and persuasion and escalating to administrative and criminal

⁶ Suparman Suparman and Muzakir Muzakir, “Regional Inequality, Human Capital, Unemployment, and Economic Growth in Indonesia: Panel Regression Approach,” *Cogent Economics & Finance* 11, no. 2 (October 9, 2023), <https://www.tandfonline.com/doi/full/10.1080/23322039.2023.2251803>.

⁷ Niccolò Pisani et al., “How Global Is International CSR Research? Insights and Recommendations from a Systematic Review,” *Journal of World Business* 52, no. 5 (September 2017): 591–614, <https://linkinghub.elsevier.com/retrieve/pii/S1090951617304388>.

⁸ Suryahadi et al., “Expanding Social Security in Indonesia: The Processes and Challenges,” no. November (2014).

⁹ Krishnendu S et al., “Towards Grassroots Sustainable Development Using Human Centered Design and Participatory Rural Appraisal: A Study in Two Rural Indian Villages,” *Sustainable Futures* 9 (June 2025): 100604, <https://linkinghub.elsevier.com/retrieve/pii/S2666188825001741>.

sanctions. Yet, the model's success presupposes adequate institutional capacity and political will, both of which are often lacking in developing economies.¹⁰

Indonesia's labor law framework has evolved considerably since democratization in 1998. The enactment of Law No. 13 of 2003 on Manpower established comprehensive standards for employment relations, wages, occupational safety, social security, and dispute resolution.¹¹ This law marked a milestone in aligning domestic labor regulations with international standards. However, the enactment of Law No. 11 of 2020 on Job Creation introduced sweeping changes aimed at enhancing labor market flexibility and attracting investment. Although the government justified these reforms as a means to promote competitiveness, critics have argued that they weakened worker protections by reducing severance pay, expanding outsourcing provisions, and restricting collective bargaining rights.¹² One notable reform, Article 88D, introduced criminal sanctions for non-payment of minimum wages, including imprisonment and substantial fines. Despite these advances, the enforcement of labor standards continues to face major obstacles due to limited resources, insufficient training of civil investigators (PPNS), and weak coordination between inspectorates and prosecutors.

When administrative enforcement proves ineffective, workers may resort to the Industrial Relations Court system established under Law No. 2 of 2004. This specialized judicial mechanism was intended to ensure expert adjudication of labor disputes through a balanced representation of employer and worker interests. However, empirical studies suggest that workers win only around 40 percent of cases, and even successful judgments often result in partial compensation. Proceedings tend to be lengthy and costly, often lasting up to a year or more, which discourages workers with limited financial means from pursuing justice.¹³ Moreover, even when verdicts favor workers, employers frequently delay compliance or evade responsibility altogether by appealing decisions or declaring insolvency.

The experience of PT. Sahabat Lingkungan Hidup illustrates the persistence of these institutional shortcomings. Despite formal complaints submitted to multiple authorities since early 2022, no meaningful sanctions or prosecutions have been pursued. Bureaucratic inaction, fragmented jurisdiction, and lack of enforcement coordination have allowed the company's violations to continue unabated. This pattern demonstrates what Weil describes as rational non-

¹⁰ Charlotte J. Whiffin et al., "The Value and Potential of Qualitative Research Methods in Neurosurgery," *World Neurosurgery* 161 (May 2022): 441–449, <https://linkinghub.elsevier.com/retrieve/pii/S1878875021018842>.

¹¹ Tjandra, "Labour Law and Development in Indonesia."

¹² Caraway and Ford, *Labor and Politics in Indonesia*.

¹³ Ibid.

compliance—where employers calculate that the expected costs of violating labor laws are far lower than the costs of compliance.

This study aims to address a critical gap in the existing literature on corporate criminal liability for labor law violations in developing economies. Although extensive research has explored labor rights, policy frameworks, and economic reforms, relatively few studies examine the practical enforcement of criminal sanctions in concrete cases of wage violation.¹⁴ By focusing on the PT. Sahabat Lingkungan Hidup case, this research provides empirical insight into how legislative provisions operate in practice, identifies institutional and procedural barriers to enforcement, and evaluates the effectiveness of recent legal reforms. The findings are expected to contribute to scholarly debates on corporate accountability, regulatory enforcement, and labor governance in the Global South, where state capacity and institutional coherence remain limited.¹⁵ Ultimately, the study seeks to propose evidence-based recommendations to strengthen enforcement mechanisms, enhance institutional capacity, and promote fair and sustainable labor practices in Indonesia.

RESEARCH METHODOLOGY

This study employs a qualitative case study design to examine the PT. Sahabat Lingkungan Hidup case as a paradigmatic instance of corporate criminal liability and enforcement challenges in Indonesia's wage regulation system. The case study approach is particularly suited to exploring complex social and institutional phenomena in their real-world context, allowing for in-depth investigation of enforcement mechanisms, institutional capacities, and the interaction between formal legal structures and practical implementation.¹⁶ Such an approach enables the tracing of causal processes and contextual factors that are often inaccessible through quantitative methods.¹⁷

The selection of PT. Sahabat Lingkungan Hidup as the focal case was purposive and based on several criteria. First, the case involves clearly documented violations of minimum wage regulations and related labor rights, providing a strong empirical foundation for analysis. Second, the protracted

¹⁴ Mohamad Amin, "The Influence of Government Apparatus Competence and E-Government Policy Implementation on Improving Public Services at Department of Population and Civil Registration Ambon," *Journal of Law Theory and Law Enforcement* (April 2022): 1–15.

¹⁵ Adnan Hamid and Adilla Meytiara Intan, "The Existence of Identity Value and Image Protection on Legal Frameworks of United States of America (US) and United Kingdom (UK)," *Journal of Law Theory and Law Enforcement* (April 2022): 28–39.

¹⁶ Maria Gracia Sari Soetopo Conboy, "Integrating Law And Economics In Indonesia," *Law Review* 18, no. 3 (2019): 1–23.

¹⁷ Trisadini Prasastinah Usanti and Anindya Prastiwi Setiawati, "The Cooperation Between Conventional Commercial Banks and Rural Banks For Financial Inclusiveness Improvement of Small, Medium and Micro Enterprises," *Journal of Law Theory and Law Enforcement* (April 2022): 16–27.

enforcement failure spanning over two years offers temporal depth for examining institutional responses and their shortcomings. Third, extensive documentation exists through formal complaints, agency correspondence, and legal records, supplying rich material for analysis. Finally, affected workers and their legal representatives were accessible and willing to participate, facilitating primary data collection.

The research design integrates multiple analytical levels. At the micro level, it investigates specific violations, worker experiences, and company behavior. At the meso level, it explores institutional structures, enforcement capacity, and coordination across agencies. At the macro level, it situates these findings within broader legislative and political economy frameworks, linking the case to wider debates on labor protection and corporate accountability.

Data collection combined multiple sources to ensure triangulation and strengthen the validity and reliability of findings. Primary data were derived from several categories:

1. Legal and administrative documents: The research team collected formal complaints filed by workers to district and provincial labor offices, and to civil investigative authorities (PPNS). Additional materials included employment contracts, payroll records, company correspondence, investigative reports, and legal memoranda prepared by workers' counsel. Altogether, approximately 350 pages of documents were reviewed, providing objective evidence of violations and enforcement responses.
2. Legislative and regulatory materials: Relevant statutes—Law No. 13 of 2003, Law No. 11 of 2020, and Law No. 2 of 2004—along with government regulations, ministerial decrees, and regional wage determinations were analyzed to establish the normative framework governing minimum wage enforcement.
3. Semi-structured interviews: In-depth interviews were conducted with 15 affected workers, 3 legal representatives, 2 trade union officials, 4 enforcement officers (including inspectors and PPNS investigators), and 2 academic experts in labor law. Conducted between March and August 2024, the interviews lasted between 45 and 120 minutes. The interview protocol explored participants' experiences, perceptions of institutional barriers, and recommendations for reform. All sessions were recorded with informed consent, transcribed verbatim, and compiled into roughly 400 pages of transcripts.
4. Observational data: Researchers observed three mediation sessions, two worker organizing meetings, and one provincial legislative hearing concerning labor law enforcement. Detailed field notes captured interactions, institutional processes, and contextual dynamics affecting enforcement outcomes.

5. Secondary sources: The analysis also drew on scholarly literature, government reports, NGO publications, media coverage, and official statistics from the Central Statistics Agency (Badan Pusat Statistik) and the Ministry of Manpower to situate the findings within broader national trends.

Data analysis followed an iterative, multi-stage process consistent with established qualitative research practices.¹⁸ First, all materials were digitized, chronologically organized, and imported into ATLAS.ti for systematic coding. Researchers engaged in repeated readings to ensure comprehensive familiarization. Second, open coding was applied to identify meaningful segments of data, generating 127 initial codes related to types of violations, institutional responses, procedural barriers, and underlying power dynamics. Third, through constant comparative analysis Charmaz, the initial codes were refined into 34 categories grouped under six overarching themes: (1) nature and extent of violations, (2) enforcement agency responses, (3) institutional constraints, (4) evidentiary and procedural challenges, (5) political economy influences, and (6) legislative adequacy. Fourth, researchers examined interrelationships among these categories to identify causal mechanisms and theoretical implications.¹⁹ Abductive reasoning was employed to move between empirical observations and conceptual frameworks, allowing theory building consistent with both data and prior scholarship. Finally, findings were synthesized across sources, and preliminary interpretations were shared with selected participants for verification (member checking), thereby enhancing analytical validity.

The analytical framework integrates multiple theoretical perspectives. Legal pluralism theory Tamanaha guides the analysis of how formal legal norms interact with informal practices and institutional realities to shape enforcement outcomes.²⁰ The literature on regulatory enforcement Ayres & Braithwaite provides conceptual tools for evaluating inspection systems, sanctioning strategies, and compliance behavior.²¹ Political economy approaches Amengual & Fine illuminate how structural power asymmetries between capital and labor, state capacity limitations, and competing policy priorities produce regulatory

¹⁸ Sharan B Merriam and Elizabeth J Tisdell, *Qualitative Research: A Guide to Design and Implementation*, 2015.

¹⁹ Laely Wulandari and Lalu Saipudin, "Marital Rape in a Comparative Perspective of Indonesian Criminal Law and Islamic Criminal Law," *Unram Law Review* 5, no. 1 (April 28, 2021), <https://unramlawreview.unram.ac.id/index.php/ulrev/article/view/139>.

²⁰ Tamanaha, "Understanding Legal Pluralism: Past to Present, Local to Global" (n.d.), https://www.austlii.edu.au/au/journals/SydLawRw/2008/20.pdf?utm_source=chatgpt.com.

²¹ Francesco Paolo Appio et al., "Digital Transformation and Innovation Management: A Synthesis of Existing Research and an Agenda for Future Studies," *Journal of Product Innovation Management* 38, no. 1 (January 1, 2021): 4–20, accessed May 9, 2025, <https://doi.org/10.1111/jpim.12562>.

forbearance.²² In addition, an actor-centered institutionalist perspective Jane Fine is employed to analyze how different actors—workers, employers, inspectors, prosecutors, and judges—exercise discretion, negotiate constraints, and pursue their interests within institutional structures that distribute authority and resources unevenly.²³

The study was approved by the institutional ethics review board and conducted in accordance with recognized ethical standards for social science research. All participants received clear information regarding the purpose, procedures, risks, and confidentiality of the study before providing informed consent. Worker participants were assured that their involvement would not affect ongoing legal claims or expose them to retaliation. Pseudonyms are used for all individuals to maintain confidentiality. Interviews were held in private locations, and participants were informed of their right to withdraw or decline questions at any stage. Given the sensitive nature of labor disputes and power differentials between workers and employers, special care was taken to ensure voluntary participation and psychological safety throughout the research process.

Several limitations should be acknowledged. This study's single-case design restricts the generalizability of its findings; while the PT. Sahabat Lingkungan Hidup case provides rich insights into institutional mechanisms, it may not capture variations across sectors or regions. Furthermore, company representatives declined to participate, preventing direct examination of managerial perspectives and internal decision-making processes. Additionally, some enforcement officials appeared hesitant to discuss institutional shortcomings, possibly due to professional concerns, which may have limited the depth of some interviews. Nevertheless, triangulation across diverse data sources, the use of multiple theoretical lenses, and rigorous qualitative procedures provide a robust empirical and analytical foundation for the study's conclusions.

RESULT AND DISCUSSION

Nature and Extent of Violations

The findings from documentary evidence, interviews, and field observations reveal pervasive and systematic violations of Indonesia's labor laws by PT. Sahabat Lingkungan Hidup. The company engaged in multiple, interrelated forms of non-compliance—including underpayment of wages, denial of overtime compensation and annual leave, misclassification of employment status, and failure to enroll workers in mandatory social security programs. These

²² Matthew Amengual and Janice Fine, "Co-enforcing Labor Standards: The Unique Contributions of State and Worker Organizations in Argentina and the United States," *Regulation & Governance* 11, no. 2 (June 24, 2017): 129–142, <https://onlinelibrary.wiley.com/doi/10.1111/rego.12122>.

²³ Janice Fine, "Enforcing Labor Standards in Partnership with Civil Society: Can Co-Enforcement Succeed Where the State Alone Has Failed?," *Politics & Society* 45, no. 3 (September 19, 2017): 359–388, <https://journals.sagepub.com/doi/10.1177/0032329217702603>.

violations collectively demonstrate a deliberate and sustained pattern of corporate misconduct enabled by weak enforcement and institutional fragmentation.

Minimum Wage Violations

Analysis of wage records and worker testimony indicates that PT. Sahabat Lingkungan Hidup consistently paid wages below the legally mandated regional minimum wage (UMK). In 2022, the district's UMK was set at IDR 3,150,000 per month (approximately USD 210), yet workers reported receiving between IDR 2,100,000 and IDR 2,700,000. This represents shortfalls of 14–33 percent below the legal threshold. Review of payroll data for 47 employees over a 24-month period (January 2022–December 2023) revealed cumulative unpaid wages of approximately IDR 423,000,000 (USD 28,200). The actual figure is likely higher due to undocumented cash payments and incomplete recordkeeping. These findings align with national trends showing that wage underpayment disproportionately affects workers in small and medium enterprises with low union density and limited bargaining power.

Overtime Violations

Workers consistently reported working 10–12 hours per day without receiving legally mandated overtime pay. Indonesian law requires premium compensation of 1.5 times the normal hourly rate for the first hour of overtime and double the rate for subsequent hours (Law No. 13 of 2003, Article 78; Government Regulation No. 35 of 2021). Despite these provisions, the company paid flat monthly wages irrespective of working hours. Several workers testified that management dismissed overtime complaints by saying, “If you don’t like it, you can leave.” Calculations based on average reported overtime indicate unpaid compensation of roughly IDR 185,000,000 (USD 12,300).

Denial of Annual Leave

The company systematically denied workers their statutory right to annual leave, guaranteed as twelve paid working days per year after one year of continuous employment (Law No. 13 of 2003, Article 79). Workers were routinely told that operational needs prevented leave approval or that paid leave would resume “once finances improved.” One worker employed for over three years stated, “I have never taken leave. If I take a day off, they cut my pay.” The denial of rest periods has serious implications for physical and mental health and reflects a broader disregard for worker welfare.

Employment Status Misclassification

Documentary analysis revealed that most workers were classified under fixed-term (PKWT) contracts despite performing ongoing, core functions such as waste collection, sorting, and facility maintenance. Indonesian law restricts PKWT contracts to temporary or project-based work, whereas permanent

functions require indefinite-term (PKWTT) contracts (Law No. 13 of 2003, Article 59; Government Regulation No. 35 of 2021, Article 15). Misclassification enables employers to avoid providing severance pay and other entitlements while maintaining a precarious workforce vulnerable to termination and hesitant to voice complaints (Ford, 2020). This practice has become increasingly prevalent following the enactment of the Job Creation Law, which broadened the permissible scope of contract employment.

Perhaps the most consequential violation concerns the company's failure to enroll employees in the national social security system, comprising BPJS Ketenagakerjaan and BPJS Kesehatan. Both programs are mandatory for all employers and provide health insurance, work injury protection, old-age savings, and pension benefits (Law No. 24 of 2011; Law No. 40 of 2004). None of the interviewed workers were enrolled in either program. Some reported that management misleadingly claimed social security contributions would "reduce take-home pay." The absence of coverage has exposed workers to catastrophic risks: one worker described her husband's hand injury at work, for which the company provided no compensation, forcing the family into debt to pay for medical care. The long-term consequences of non-enrollment are severe, leaving workers and their families without health protection, income security, or retirement savings.

Taken together, these violations illustrate a deliberate strategy of labor cost minimization through systemic non-compliance. Each form of violation compounds the others: workers earning below-minimum wages cannot afford unpaid leave; insecure contract status suppresses complaints; and lack of social security magnifies vulnerability. The PT. Sahabat Lingkungan Hidup case thus reflects not isolated infractions but a coherent pattern of exploitation sustained by weak enforcement mechanisms and an institutional environment that permits impunity.

From a broader perspective, the findings align with national and international research identifying similar patterns in sectors characterized by informal labor relations, limited union presence, and fragmented regulatory oversight. The case underscores how Indonesia's decentralized wage-setting and enforcement systems while designed to accommodate regional diversity have inadvertently produced uneven protection outcomes. The persistence of these violations despite multiple formal complaints and supporting documentation highlights the ineffectiveness of existing enforcement mechanisms, which remain constrained by limited capacity, overlapping jurisdictions, and weak inter-agency coordination.

Overall, the nature and extent of violations at PT. Sahabat Lingkungan Hidup illustrate a broader structural problem: the gap between legal guarantees and practical enforcement. The company's continued operation despite documented breaches of labor law exemplifies the rational calculus of non-

compliance in contexts where the probability of detection and punishment remains low. These findings provide a foundation for understanding the subsequent analysis of enforcement failures and institutional constraints discussed in the following sections.

Enforcement Responses and Institutional Failures

The PT. Sahabat Lingkungan Hidup case reveals a persistent pattern of enforcement inaction and institutional fragmentation that has rendered labor protection mechanisms largely ineffective. Despite the filing of formal complaints by workers in early 2022 accompanied by documentary evidence of wage and benefit violations no significant enforcement actions or legal remedies had been achieved by August 2024.

Initial complaints submitted to the district labor office led to a delayed inspection, but no sanctions followed. When workers escalated the matter to the provincial manpower office and the civil investigative unit (PPNS), jurisdictional disputes and bureaucratic inertia caused further delays. The provincial office declined to intervene, citing district authority, while the PPNS unit requested additional documents and then ceased communication. Even after workers' legal representatives appealed to the provincial legislature and threatened to involve the Ombudsman, enforcement agencies produced only minimal activity such as brief interviews without tangible outcomes. By the end of the research period, no administrative sanctions had been imposed, and no criminal prosecution had been initiated.

Interviews with enforcement officials indicate that overlapping jurisdictions, discretionary referrals, and limited coordination between agencies are primary causes of these failures. District inspectors possess authority to identify violations but not to impose penalties or pursue criminal proceedings. PPNS investigators, though authorized to initiate prosecutions, are severely understaffed and overburdened, with only a few officers responsible for thousands of cases. Prosecutors, in turn, treat labor violations as low priority, focusing instead on corruption, narcotics, and violent crime. This multi-tiered enforcement chain contains multiple points where cases stagnate, and no single institution holds clear responsibility for outcomes.

Resource constraints further undermine enforcement capacity. Labor inspectors lack adequate transportation, technical training, and operational budgets. Many must inspect hundreds of companies annually with little institutional support. As one inspector explained, "We can only issue warnings; we have no real power to make companies comply." PPNS investigators face similar difficulties, including insufficient investigative tools and limited budget for witness examination or evidence collection.

These institutional weaknesses are compounded by procedural and evidentiary barriers. Most workers are paid in cash without payslips, and

company records are incomplete or falsified, making proof of violations difficult. The absence of a centralized case-tracking mechanism also means that complaints can be ignored or lost between agencies. In this context, the company's persistent non-compliance reflects a rational calculation: enforcement risks are minimal, sanctions are rare, and political incentives favor business continuity over worker protection.

In summary, the enforcement failures in the PT. Sahabat Lingkungan Hidup case stem from systemic institutional deficiencies rather than isolated administrative lapses. Fragmented authority, weak coordination, limited resources, and low prosecutorial prioritization collectively create a regime of impunity. The findings reinforce prior scholarship that effective labor protection requires not only robust laws but also coherent, well-resourced institutions capable of implementing them.²⁴

Implications and Discussion

The PT. Sahabat Lingkungan Hidup case exemplifies the persistent gap between Indonesia's formal labor law framework and its practical enforcement. The evidence demonstrates that, although legal provisions for wage protection, employment security, and social welfare are comprehensive, their implementation remains severely constrained by institutional weaknesses. The company's continued non-compliance, despite multiple official complaints and documented violations, reveals how ineffective enforcement mechanisms perpetuate impunity for corporate offenders.

From a theoretical perspective, these findings affirm the central insights of labor protection theory, which emphasizes that substantive rights are meaningful only when supported by credible enforcement capacity.²⁵ The enforcement pyramid model assumes that compliance is fostered by the credible threat of escalating sanctions. In this case, however, the absence of follow-through at the administrative and criminal levels undermined the deterrent effect of the law. Without visible penalties or restitution, employers rationally conclude that non-compliance carries little risk compared to the economic benefits of wage suppression.

Politically, the case also illustrates how state capacity constraints, bureaucratic fragmentation, and pro-business policy orientations interact to shape patterns of regulatory forbearance. As Amengual and Fine observe, enforcement in developing economies often reflects competing institutional logics balancing labor rights against investment incentives. In this environment, agencies lack both

²⁴ Amin, "The Influence of Government Apparatus Competence and E-Government Policy Implementation on Improving Public Services at Department of Population and Civil Registration Ambon."

²⁵ Usanti and Setiawati, "The Cooperation Between Conventional Commercial Banks and Rural Banks For Financial Inclusiveness Improvement of Small, Medium and Micro Enterprises."

the autonomy and the resources to challenge entrenched corporate interests effectively.

At the policy level, the findings suggest that legislative reform alone such as the Job Creation Law's introduction of criminal sanctions is insufficient to deter violations unless accompanied by institutional strengthening. Effective enforcement requires clearer jurisdictional mandates, better coordination among labor inspectorates and prosecutors, and sufficient resources for investigation and case management. Administrative sanctions, including payment orders and business license suspensions, could provide more immediate and practical deterrents while criminal provisions should be reserved for persistent or egregious offenders.

In conclusion, the PT. Sahabat Lingkungan Hidup case underscores the systemic nature of labor law enforcement failure in Indonesia. It demonstrates how power asymmetries, institutional fragmentation, and limited capacity undermine even the most well-intentioned legal frameworks. Strengthening enforcement institutions, enhancing inspectorate capacity, and ensuring genuine accountability are essential prerequisites for transforming labor rights from formal guarantees into lived realities for Indonesian workers

CONCLUSION

This study has analyzed the PT. Sahabat Lingkungan Hidup case to examine how Indonesia's system of labor law enforcement fails to translate formal legal protections into real safeguards for workers. The case revealed extensive and deliberate violations of core labor standards, including the payment of wages below the statutory minimum, non-payment of overtime, denial of annual leave, misclassification of permanent employees as fixed-term workers, and the complete absence of social security coverage. Despite clear legal provisions and multiple formal complaints supported by documentation, no effective enforcement action was taken against the company. This pattern reflects not isolated administrative shortcomings but deep-seated institutional weaknesses that undermine the credibility of Indonesia's labor protection framework.

The findings demonstrate that enforcement mechanisms remain fragmented, under-resourced, and poorly coordinated. District labor inspectors possess limited authority, civil investigators (PPNS) face severe capacity constraints, and prosecutors rarely prioritize labor-related cases. Jurisdictional ambiguities and bureaucratic inertia create procedural gaps through which even well-documented violations can disappear without resolution. As a result, corporate actors can rationally calculate that non-compliance is economically advantageous, given the low probability of detection and the minimal risk of sanctions. The case thus exemplifies a structural condition of impunity in which legal rights exist in theory but remain unenforced in practice.

From a theoretical standpoint, the study confirms that labor protection laws are only as effective as the institutions that enforce them. The enforcement pyramid model assumes that compliance depends on the credible threat of escalating sanctions. In this context, however, weak administrative and judicial follow-through nullifies that threat, rendering legal reform largely symbolic. The analysis also aligns with political economy perspectives emphasizing that enforcement in developing economies is shaped by limited state capacity, competing policy priorities, and power asymmetries between capital and labor.

To address these systemic failures, a comprehensive strengthening of Indonesia's labor enforcement architecture is required. Enforcement responsibilities should be streamlined through clearer jurisdictional mandates and coordinated case-tracking systems linking local and provincial agencies. The capacity of labor inspectorates and PPNS investigators must be enhanced through expanded staffing, specialized legal training, and adequate operational resources. Administrative sanctions—such as immediate payment orders, escalating fines, and business license suspensions—should be prioritized for prompt deterrence, while criminal prosecution should target persistent or egregious violators. Prosecutorial guidelines should also elevate labor rights offenses to higher priority within public prosecution offices.

Beyond institutional reform, stronger worker representation and collective bargaining mechanisms are essential to balance entrenched power asymmetries. Unions and civil society organizations should be empowered to monitor compliance, support legal advocacy, and demand transparency in enforcement outcomes. Finally, political commitment is indispensable: without sustained government will to prioritize worker protection over investment expediency, legislative progress will remain largely rhetorical.

In conclusion, the PT. Sahabat Lingkungan Hidup case exposes the gap between Indonesia's robust formal labor legislation and its weak enforcement reality. Bridging this gap requires not only better laws but also stronger institutions, coordinated enforcement, and a political environment that treats labor rights as a central component of equitable and sustainable economic development.

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