



## Legal Implications of the Omnibus Law on Job Creation for the Protection of Informal Sector Workers in Metropolitan Cities in Indonesia

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### Abstract

*This study examines the legal implications of the Omnibus Law on Job Creation for the protection of informal sector workers in metropolitan Indonesia. While the law was introduced to simplify regulations, attract investment, and expand labor protections through universal access to social security schemes, its effectiveness for informal workers remains questionable. Drawing on legal analysis and a review of early implementation in urban contexts, the study finds that reforms emphasizing flexibility and deregulation tend to normalize precarious work arrangements rather than reduce them. The lack of explicit legal recognition for informal employment further perpetuates exclusion, limiting workers' access to rights such as collective bargaining and dispute resolution. At the same time, the law's mandate for universal social security represents a potential avenue for inclusion, though practical barriers such as irregular income and weak enforcement constrain its impact. The findings highlight a fundamental tension between economic growth and labor protection, underscoring the need for complementary local policies that address the realities of metropolitan informal economies.*

## INTRODUCTION

Introduced as a total regulatory overhaul to stimulate investment, expedite employment creation, and streamline cross-sectoral regulatory structures in the Republic of Indonesia, the promulgation of Law No. 11 of 2020 on Job Creation, often known as the Omnibus Law, was adopted to achieve a range of objectives. Substantively, the law rectifies various provisions within the labor, investment, licensing and social security sectors thus creating far reaching impacts in the industrial relations and worker protection. A number of conducting regulations, especially those related to employment and social security, have since been published to transform the general provisions of the law into technical processes (Ferdian et al., 2023; Jusoh et al., 2025; Shahrin, 2022; Galbi et al., 2021).

A significant, though often under-researched problem is that the Omnibus Law may have affected the workers in the informal sector, particularly in metropolitan areas in Indonesia where labor market flexibility is the rule, labor mobility is high and precarious workers form the majority. Intermediate workers- daily wage earners, street trades, ride hailing drivers and domestic workers have a vulnerable legal and social status (Kwan, 2022; Bates et al., 2019; Kaltner, 2018). A good number of them are not under any formal employment agreements, do not participate in any social security initiatives, and are highly susceptible to economic changes in cities (Razavi, 2022; Suryahadi et al., 2021; Baptista et al., 2021). This fact provokes an urgent question; does the Omnibus Law enhance or diminish the legal safeguard and the access of these groups of workers to the mechanisms of social security?

As a normative, the Job Creation Law presented a number of changes that directly affect employment security and compliance costs incurred by employers such as updating regulations on wages, outsourcing, and severance compensation. These clauses have already caused scandals with respect to lesser safeguards on formal employees. The implication is more complicated in the case of informal workers. On the one hand, the legislation can open the path to formalization in the form of registration schemes and increasing social security. Conversely, deregulation can support precarious labour practices in the sense that it undermines surveillance and enforcement measures. Therefore, any legal discourse should incorporate a review of the statutes with the critique of the policy application and the functions of the institutions like the BPJS Employment in the sphere of extending the coverage of the informal workers (Meilarovasari et al., 2025; Arianto, 2023; Donno & Kaasik, 2022).

Human-rights and governance-related, international observers and rights organisations have raised concerns that the drafting process as well as the contents of the Omnibus Law are below international standards of taking into consideration the citizens (Donno et al., 2022). Such criticisms are especially applicable to assessing the process of regulatory change in urbanism where the labor markets are heterogeneous and dependent heavily on the informal economic activity. The administrative control, the possibilities of the local institutions and the possibilities of the informal workers to understand and demand their rights are the variables to be considered as important in the question whether the legal protections are really fulfilled.

This paper will address this gap by establishing the legal implications of the Omnibus Law on the protection of informal sector workers in the metropolitan cities in Indonesia. It takes a normative juridical perspective of statutory texts and implementing regulations, along with a policy review of social security schemes (primarily BPJS Employment), as well as a secondary review of literature on urban labor relations. The analysis is being made on three aspects that are interrelated i.e. (1) how well the new legal framework can meet the access of social security and labor protections on informal workers; (2) the possible gaps and challenges in implementation; and (3) policy recommendations to enhance legal inclusion and social protection of vulnerable workers in the face of the ongoing changes in regulation.

It is hoped that the findings will lead to a more balanced debate on labor policy and the need to come up with inclusive and fair methods that will safeguard those who are informal workers and who make the backbone of metropolitan economies. Additionally, the paper places Omnibus Law in the context of more general discussions about labor market flexibility and worker protection, providing important clues to the evolution of the Indonesian legal process in the context of the implementation of the rapid economic reforms and the need to align them with the requirements of social justice.

## METHODS

This research adopts a normative juridical approach, enriched with a socio-legal perspective to capture the broader implications of the Omnibus Law on Job Creation for informal sector workers in metropolitan cities. The normative juridical method is chosen because the primary object of analysis is legal norms namely, Law No. 11 of 2020 on Job Creation and its implementing regulations together with other relevant statutes governing labor and social security. Through this approach, the study systematically examines how the law, as written, defines rights, obligations, and protections, and evaluates whether these provisions adequately address the vulnerabilities of informal workers in Indonesia's urban labor markets. A socio-legal lens complements this doctrinal analysis by situating legal provisions within their socio-economic context, acknowledging that formal rules cannot be fully understood without considering how they operate in practice in metropolitan areas characterized by high levels of informal employment and precarious labor relations.

The geographical and sectoral focus of this research is on metropolitan cities such as Jakarta, Surabaya, and Bandung, where the informal sector constitutes a significant portion of the workforce. These cities are not only economic hubs but also centers where the tension between labor market flexibility and worker protection is most visible. The study thus pays close attention to legal provisions concerning working conditions, employment relationships, and access to social security, especially through institutions such as BPJS Employment. By concentrating on these elements, the analysis seeks to determine whether the Omnibus Law facilitates the inclusion of informal workers into formal protection mechanisms or, conversely, whether it reinforces their exclusion and precarious status.

Data for this study is primarily drawn from secondary sources, in line with the methodological orientation of normative legal research. The first category of data comprises primary legal materials, including the text of the Omnibus Law itself, the Manpower Law (Law No. 13 of 2003, as amended), the BPJS Law (Law No. 24 of 2011), and a series of government regulations and ministerial decrees that operationalize these statutes. The second category consists of secondary legal materials, such as academic journal articles, books, policy papers, and reports published by organizations like the International Labour Organization and the World Bank, which provide critical perspectives on Indonesia's labor reforms. A third category, tertiary sources, such as legal dictionaries, media coverage, and expert commentaries, is used to provide supporting insights and to clarify terminologies relevant to the discourse on informal labor protection.

The method of analysis employed is content analysis, through which legal texts and secondary literature are systematically reviewed and interpreted. The process begins with doctrinal interpretation, identifying the legal meaning and scope of provisions relevant to labor rights and social security under the Omnibus Law. These findings are then considered in light of comparative experiences from other countries that have implemented similar legal reforms, allowing the research to situate Indonesia's approach within broader global debates on labor market regulation. Finally, the analysis incorporates socio-legal considerations by examining empirical studies and policy evaluations that document how informal workers in metropolitan areas experience labor law enforcement, access to social security, and institutional oversight. This triangulated analysis enables the research to bridge the gap between legal norms as they are formally stated and the realities of labor practices in urban informal economies.

To maintain the validity and reliability of findings, the study applies triangulation by cross-referencing statutory provisions with scholarly discussions and empirical reports. This approach reduces the risk of relying solely on doctrinal interpretation,

which may overlook practical implementation gaps. At the same time, it ensures that interpretations of the law remain grounded in established principles of legal analysis, as recommended in the methodological literature on normative juridical research (Bayles, 2012; Jackson, 2012). By consistently applying this framework across all stages of analysis, the study seeks to produce conclusions that are both legally sound and contextually informed.

The research acknowledges certain limitations. Since it does not involve primary data collection through fieldwork, surveys, or interviews, it cannot fully capture the lived experiences of informal workers in metropolitan cities. Instead, it relies on the interpretation of statutory texts and the synthesis of existing empirical studies. While this reliance on secondary data may limit the immediacy of findings, the study compensates by applying a rigorous legal analysis that is enriched by critical policy reviews and socio-economic research. As a result, the methodology provides a balanced lens that is both theoretically robust and practically sensitive to the challenges faced by informal workers in the era of the Omnibus Law.

## **RESULTS AND DISCUSSION**

### **Employment Arrangements and Contractual Flexibility**

The Omnibus Law on Job Creation represents one of Indonesia's most ambitious attempts to overhaul labor regulations, aiming to stimulate investment and employment through greater labor market flexibility. While this objective appears economically pragmatic, the law's emphasis on easing employment regulations particularly regarding outsourcing, fixed-term contracts, and severance pay raises deeper concerns about its social implications. The promise of flexibility for employers often translates into insecurity for workers, revealing an inherent tension between efficiency and protection. In practice, such reforms may privilege business competitiveness at the expense of stable and dignified employment conditions.

In metropolitan labor markets, where informal employment already constitutes a large share of the workforce, the consequences of these reforms are especially pronounced. The legitimization of widespread outsourcing and non-permanent contracts enables employers in service-oriented sectors to rely on casual labor as a normalized practice. Rather than formalizing the labor market, this policy environment blurs the boundary between formal and informal employment, producing a hybrid system of precarious work masked as flexibility. This shift not only undermines existing labor protections but also perpetuates employment insecurity in urban economies that depend heavily on service and digital platform work.

For informal workers such as ride-hailing drivers, delivery couriers, or freelance service providers, the Omnibus Law inadvertently entrenches their marginal position within the labor hierarchy. By institutionalizing flexible work arrangements, the law implicitly legitimizes unstable forms of employment that lack benefits, collective bargaining power, and job security. This dynamic is particularly detrimental in metropolitan contexts where digital platforms dominate, and where the rhetoric of "flexibility" conceals asymmetrical power relations between workers and employers. Instead of creating pathways toward formalization, the reforms risk consolidating a permanent underclass of informal laborers excluded from social protection systems.

These developments echo global patterns of labor market deregulation, where the pursuit of flexibility often leads to an expansion of precarious and informal work. The International Labour Organization cautions that reforms designed to reduce labor costs, if not balanced with adequate worker safeguards, tend to deepen inequality rather than foster inclusive growth. In Indonesia, the Omnibus Law's metropolitan impact illustrates this paradox vividly: economic dynamism is achieved

through labor informality, while structural inequalities remain entrenched. Hence, the law's effectiveness cannot be measured merely in terms of job creation, but must also be judged by the quality, security, and dignity of the employment it produces.

### **Access to Social Security Schemes**

One of the most notable promises of the Omnibus Law is the expansion of social security coverage to all workers, including those in the informal sector. The law mandates universal participation in programs administered by BPJS Employment and BPJS Health, marking a formal commitment to inclusivity in labor protection. In principle, this policy signals progress toward a more equitable system by extending benefits such as health insurance, workplace accident protection, and retirement security to previously excluded groups. For workers in metropolitan areas who face high living costs, unstable employment, and limited safety nets such measures could represent a crucial step toward social protection and economic resilience.

However, the gap between legal provision and practical implementation remains substantial. Informal workers often encounter structural barriers such as irregular income, limited awareness, and insufficient digital literacy that make consistent participation difficult. The voluntary nature of enrollment further exacerbates the problem, as many workers must prioritize immediate survival over future security. For example, street vendors, domestic workers, and gig-based service providers frequently face competing financial demands that prevent them from maintaining regular contributions. Even with digital innovations designed to simplify access, low levels of institutional trust and bureaucratic inefficiency continue to hinder inclusion.

Empirical studies reinforce these observations. Research by Dartanto and colleagues (2016, 2020) shows that participation rates among informal workers in BPJS programs remain significantly below expectations, particularly in metropolitan areas characterized by high worker mobility and fragmented employment structures. This evidence suggests that legal reform alone is insufficient to achieve universal protection. Without mechanisms that address the socioeconomic realities of informal workers such as subsidies, simplified payment systems, and targeted outreach the promise of inclusion risks remaining symbolic rather than transformative.

Ultimately, the social protection agenda embedded in the Omnibus Law highlights the persistent tension between formal legal aspirations and everyday economic realities. While the law establishes a foundation for inclusivity, its success depends on the state's capacity to operationalize this framework through context-sensitive and adaptive policies. Unless the government moves beyond legal mandates to actively engage and support informal workers, universal social security will remain more rhetorical than real. The challenge, therefore, lies not in drafting inclusive legislation but in ensuring that its implementation bridges, rather than reproduces, the inequalities it seeks to remedy.

### **Institutional Oversight and Enforcement Capacity**

The Omnibus Law on Job Creation underscores deregulation and administrative simplification as key strategies to enhance investment and minimize bureaucratic inefficiencies. While such measures may indeed facilitate business operations and attract capital, they also generate complex governance challenges, particularly in relation to labor protection. The streamlining of procedures, intended to reduce red tape, can simultaneously dilute institutional oversight especially in metropolitan areas where informal work dominates. In these urban economies, the fragmentation and fluidity of employment relationships complicate the task of enforcing labor standards, exposing the tension between economic liberalization and social protection.

In practice, the drive for deregulation has produced unintended consequences for institutional accountability. Labor inspection systems, which are central to ensuring compliance with employment laws, often remain under-resourced, understaffed, and poorly equipped to address the diverse realities of metropolitan labor markets. Their monitoring activities are largely confined to registered enterprises, leaving informal workers beyond their operational reach. This creates what may be termed a regulatory blind spot, where a significant segment of the workforce operates without effective legal protection. The result is a dual labor system formal sectors subject to oversight, and vast informal sectors effectively excluded from enforcement.

Local governments, as the primary administrative units within metropolitan regions, face additional constraints. Despite being positioned closest to informal workers, they often lack the institutional capacity, technical expertise, and fiscal resources required to extend oversight or deliver meaningful interventions. The decentralization of administrative responsibilities without a corresponding increase in institutional support exacerbates this governance gap. Consequently, policy implementation becomes uneven, with protections remaining largely theoretical rather than operational. This institutional weakness reflects a broader structural problem in Indonesia's approach to labor governance, where policy ambition outpaces administrative capability.

As a result, the inclusive protections envisioned by the Omnibus Law remain largely aspirational. The combination of deregulation, fragmented authority, and weak enforcement perpetuates the precarious status of informal workers rather than alleviating it. To make the reform effective, legal simplification must be matched with institutional strengthening particularly in labor inspection, data integration, and local-level coordination. Only through a robust and well-resourced administrative framework can the law's goals of inclusivity and fairness in metropolitan labor markets be realized. Without such reinforcement, deregulation risks reproducing the very inequalities it aims to resolve.

### **Legal Ambiguity of Informal Employment**

Another critical issue emerging from the analysis is the absence of explicit legal recognition for informal workers within the framework of the Omnibus Law. Despite constituting a substantial portion of the labor force, particularly in metropolitan areas, informal workers are not defined or regulated as a distinct legal category. Instead, they are subsumed under general labor provisions or indirectly addressed through universal social security mandates. This omission renders informal work legally invisible, undermining efforts to design and implement context-specific protections. As Miller (2006) and Faundez (2009) observe, the failure to legally acknowledge informal labor perpetuates its marginal status and weakens the normative basis for inclusive labor governance.

The legal invisibility of informal work has far-reaching implications. Without formal recognition, there are no clear mechanisms to extend essential labor rights such as collective bargaining, wage regulation, occupational safety, or dispute resolution. As a result, informal workers remain dependent on fragmented, voluntary, or temporary initiatives that often fail to reach those most vulnerable. In metropolitan contexts where informal employment encompasses a wide spectrum, from domestic labor and street vending to app-based gig services this ambiguity generates confusion regarding rights and responsibilities. The absence of a clear legal status erodes accountability, making it difficult for government institutions to intervene effectively when rights violations occur.

This legislative gap reflects a deeper structural tension within Indonesia's approach to labor reform. Policymakers have prioritized economic growth and investment facilitation, often at the expense of addressing labor quality and security. The

emphasis on job creation without parallel recognition of labor diversity results in an exclusionary framework that overlooks the complexity of urban labor dynamics. Consequently, the Omnibus Law reinforces the historical divide between formal and informal employment rather than bridging it. Informal workers thus remain peripheral to legal and institutional systems, despite being integral to urban economic productivity.

Ultimately, the absence of formal recognition for informal labor exposes the limitations of Indonesia's reform agenda. Legal frameworks that claim universality yet exclude large portions of the workforce undermine their own legitimacy and effectiveness. To advance genuine inclusivity, future policy reforms must explicitly define and integrate informal work into the legal structure, accompanied by adaptive mechanisms for protection and representation. Without such measures, the Omnibus Law risks entrenching a dual labor regime one that privileges formality as the only site of legal protection while leaving millions of informal workers outside the reach of justice and social equity.

### **Dual Impact of the Omnibus Law**

The findings highlight the inherently dual nature of the Omnibus Law's impact on informal workers in metropolitan Indonesia. On one side, provisions such as the universal social security mandate and administrative simplification present potential pathways toward inclusion. These reforms if implemented effectively could extend essential protections and bring informal workers into the scope of national welfare and labor systems. In principle, such measures align with international labor standards and the International Labour Organization's (ILO) recommendations for expanding social protection floors to encompass vulnerable and non-standard forms of work. They represent a necessary, albeit limited, step toward greater institutional recognition of informality within Indonesia's rapidly evolving labor market.

Yet, this optimism is tempered by the law's deregulatory orientation, which prioritizes investment facilitation and employer flexibility over labor protection. By relaxing regulations on outsourcing, contract duration, and severance obligations, the Omnibus Law risks legitimizing precarious work arrangements rather than curbing them. The weakening of institutional enforcement mechanisms particularly labor inspections and local oversight further compounds this problem. As Felix (2024) observes, the law embodies a paradoxical stance: it promises inclusion through formal legal mechanisms while simultaneously enabling structural conditions that perpetuate exclusion. For many informal workers in metropolitan economies, this contradiction translates into continued instability, limited representation, and persistent insecurity under a new legal order.

This tension exposes the broader dilemma facing Indonesia's labor governance how to reconcile economic competitiveness with social justice. The pursuit of growth through deregulation, while beneficial to investors and formal enterprises, risks undermining the very foundations of inclusive development. Without deliberate policy interventions that strengthen institutional capacity, expand enforcement reach, and formally recognize informal workers, the Omnibus Law may deepen rather than resolve existing labor inequalities. The absence of tailored mechanisms to address informality illustrates the incomplete nature of Indonesia's reform agenda and its reliance on a one-size-fits-all legal model that fails to capture the complexity of metropolitan labor markets.

Ultimately, the dual impact of the Omnibus Law underscores the urgent need for a recalibration of Indonesia's labor reform strategy. Legal recognition of informal work, combined with context-sensitive enforcement and accessible social protection schemes, is essential to transforming the law's aspirational inclusivity into practical reality. Policymakers must move beyond the dichotomy of growth versus protection

and embrace an integrated approach that values both economic efficiency and human dignity. Only through such balanced reform can Indonesia's metropolitan labor markets evolve toward a model of equitable, sustainable, and just employment.

## **Discussion**

The findings of this study contribute significantly to the theoretical debates surrounding labor law reform and socio-economic governance in developing economies. The Omnibus Law on Job Creation reflects a neoliberal orientation that prioritizes deregulation and investment over protection. This approach resonates with the dual labor market theory, which argues that law and policy often reinforce divisions between secure, formal employment and insecure, informal work. In the Indonesian metropolitan context, where informal work constitutes a substantial proportion of urban economies, the failure to provide explicit recognition for informal workers underscores the persistence of this divide. From a theoretical standpoint, the law appears to institutionalize precariousness by legitimizing flexible contracts and outsourcing practices, thus embedding uncertainty into the legal framework of employment. This dynamic reflects broader critiques of neoliberal labor reforms, which often claim inclusivity but fail to deliver substantive protections for marginalized groups.

When considered from a comparative perspective, Indonesia's experience mirrors similar trends in other countries that have adopted broad deregulation agendas. For instance, the introduction of labor codes in India in 2020 sought to consolidate and simplify employment regulations but ultimately offered little to address the vulnerability of informal and gig economy workers. In Latin America as well, structural reforms during the 1980s and 1990s expanded informality rather than reducing it, despite ambitious promises of modernization. The Indonesian case therefore reinforces global lessons that legal simplification and flexibility, while beneficial to capital and investment, rarely result in enhanced protections for workers. At the same time, it is distinct in that Indonesia continues to treat informality as an administrative anomaly rather than a structural reality. Unlike countries that have introduced specific legal categories for informal employment, Indonesia leaves such workers invisible in its regulatory architecture. This invisibility weakens the potential of the Omnibus Law to serve as a transformative framework for labor governance.

The policy implications of these findings are especially relevant in metropolitan economies, where informal workers are central to urban life and economic activity. Sectors such as transportation, logistics, domestic work, and street-based commerce continue to be dominated by informal arrangements, yet the Omnibus Law fails to offer concrete strategies for extending protections to these groups. Instead, the reforms prioritize easing compliance for businesses and promoting investment, creating a mismatch between national objectives and local realities. In order to address this gap, complementary policies at the municipal level are necessary. These could include subsidies that facilitate informal workers' participation in BPJS schemes, municipal inspection systems capable of extending oversight beyond formal firms, and legal recognition for worker associations that represent informal labor (Hardiansyah et al., 2024). Without such measures, the Omnibus Law may exacerbate exclusion in cities, undermining efforts to promote inclusive growth and equitable urban development.

The social implications of the law which are generally broader should be strictly thought. In the case of informal workers, which are located in metropolitan Indonesia, the official promises of universal social security and systematically increased protective benefits are, at any rate, at present, mainly on a wish list. Systemic obstacles such as uneven sources of income, limited computer literacy, and

general distrust of governmental programs are major barriers to participation in social protection programs. As a result, such employees continue to face daily precarities of income unpredictability, health insurance and retirement insurance. These vulnerabilities are spread and these affect households and communities and keep enforcing the circles of poverty and vulnerability. Moreover, there is the danger of losing faith in the legal institutions because precarious employment arrangements are becoming normal (Rubery et al., 2018; Kalleberg, 2009). Under the conditions that the reforms are generally perceived to be more beneficial to employers and investors against the interests of employees, the doubt and opposition may increase, consequently eroding the legitimacy of the legal framework itself. The social protests which were in association with the passing of the Omnibus Law are an example of such a danger, as they can precipitate social instability in the event that the legislative reforms are considered unjust or unfair.

Lastly, this investigation takes into consideration some drawbacks. It mainly analyzes metropolitan places; even though the places are critical, they are not a comprehensive reflection of the heterogeneity of informal labour in rural and semi-urban settings in Indonesia. In addition, the study is based on preliminary findings on the implementation of the law, thus making long-term results indeterminate. With changing enforcement mechanisms, new patterns might emerge, which make the reform echelon change the direction. Based on this, future research ought to utilize longitudinal designs to track how the experiences of informal workers will change with time. The comparative research of metropolitan and non-metropolitan areas would also help to shed more light on the nexus between law and informality in regard to geographic factors. Furthermore, interdisciplinary research that would integrate legal study with economics modelling and ethnography would provide a more comprehensive description of the dynamics behind it (Isman and Muttaqin, 2024; Khan, 2024). This kind of scholarship is essential towards achieving the goal of making future reforms agree on both the economic goals as well as the necessity of social justice.

## CONCLUSION

This study has examined the legal implications of the Omnibus Law on Job Creation for the protection of informal sector workers in metropolitan Indonesia. The analysis shows that while the law introduces reforms aimed at simplifying regulations, attracting investment, and expanding access to social security, its impact on informal workers remains limited. By prioritizing contractual flexibility and deregulation, the law risks institutionalizing precariousness and further marginalizing workers who already operate outside formal legal protections. In metropolitan economies where informal labor is central to urban life, the lack of explicit recognition for these workers perpetuates their vulnerability and weakens the law's potential to deliver meaningful protections. The findings therefore underscore a persistent tension between economic growth objectives and the pursuit of social justice within Indonesia's labor governance framework.

At the same time, the study highlights opportunities for improvement through complementary policies and institutional strengthening. To achieve inclusive urban development, reforms must move beyond symbolic inclusion and address the structural barriers that prevent informal workers from accessing social security and labor rights. Local governments, in particular, have a crucial role to play in bridging the gap between national legislation and urban labor realities. By introducing targeted subsidies, strengthening labor inspection systems, and formally recognizing informal worker associations, policymakers can enhance the law's effectiveness and legitimacy. Ultimately, balancing investment-driven reforms with genuine protections for informal workers is essential to ensure that the Omnibus Law not

only supports economic growth but also promotes fairness, equity, and long-term social stability in Indonesia's metropolitan cities.

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