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THE EFFECTS OF COMPENSATION FOR CONTRACTUAL EMPLOYEES: A CASE STUDY OF COAL MINING COMPANY IN INDONESIA

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Abstrak

Keberadaan hukum ketenagakerjaan di Indonesia yang mengatur hak dan kewajiban pengusaha dan pekerja didasarkan pada peraturan untuk mencegah terjadinya perbudakan atau tindakan sewenang-wenang. Landasan utama hukum perburuhan dan ketenagakerjaan di Indonesia tidak lain adalah UUD 1945. Adanya regulasi baru dalam dunia kerja yaitu UU Cipta Kerja yang khusus membahas kompensasi bagi pegawai PKWT dan implementasinya diatur dalam Peraturan Pemerintah No. 35 Tahun 2021 menjadi hal baru yang perlu disoroti. Penelitian ini bersifat kualitatif dan dilakukan dengan mengumpulkan data melalui wawancara dengan beberapa karyawan kontrak di sebuah perusahaan pertambangan batubara. Ada beberapa pengaruh terhadap karyawan dan perusahaan itu sendiri mengenai pembayaran kompensasi. Kompensasi yang diterima karyawan kontrak pada setiap akhir periode mempengaruhi kebahagiaan mereka karena secara langsung meningkatkan pendapatan mereka sebagai antisipasi jika nantinya tidak diperpanjang kontraknya. Sementara itu, perusahaan mengalami kerugian dari sisi arus kas akibat kewajiban pembayaran kompensasi yang membara setiap tahun kepada setiap karyawan kontrak. Dengan demikian, ada beberapa rekomendasi terkait dampak kompensasi ini, yaitu mempersingkat masa kontrak, dan menyesuaikan kembali status karyawan sesuai pekerjaannya.

Kata Kunci: Kompensasi, Pegawai Kontrak

Abstract

The existence of labor law in Indonesia, which regulates the rights and obligations of employers and workers, is based on regulations to prevent the occurrence of slavery or arbitrary actions. The main foundation of labor and employment law in Indonesia is none other than the 1945 Indonesian Constitution. The existence of a new regulation in the world of work, namely the Job Creation Law, which specifically discusses compensation for PKWT employees and whose implementation is regulated in Government Regulation No. 35 of 2021, is a new thing to highlight. This research is qualitative in nature and was conducted by collecting data through interviews with several contract employees at a coal mining company. There are several influences on employees and the company itself regarding the payment of compensation. The compensation received by contract employees at the end of each period affects their happiness because it directly increases their income in anticipation of not renewing the contract

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later. Meanwhile, the company suffers a loss in terms of cash flow due to this burning obligation to pay compensation every year to every contract employee. Thus, there are several recommendations related to the effect of this compensation, namely shortening the contract period, and readjusting the status of employees according to their work.

Keywords: Compensation, Contract Employee

PENDAHULUAN

The existence of labor law in Indonesia, which regulates the rights and obligations of employers and workers, is enacted based on the foundation of the rules to prevent slavery or arbitrary actions from taking place. The main basis of labour and employment law in Indonesia is the 1945 Indonesian Constitution. Through the 1945 Indonesian Constitution, every citizen has the right to obtain decent jobs and livelihoods. Therefore, labour and employment laws in Indonesia must be obeyed by all citizens (Alfiyah & Riyanto, 2019).

The current labour law in Indonesia is the Job Creation Law (Law No.11/2020), which came into effect after being signed by President Joko Widodo on November 2, 2020. However, in early 2023, the government issued Government Regulation in Lieu of Law (*Peraturan pemerintah pengganti undang undang or Perpu*) No. 2 of 2022, also known as *Perpu Cipta Kerja*, to replace the Job Creation Law No. 11 of 2020, which has been in force for two years. *Mahkamah Konstitusi* Decision No. 91/PUU-XIII/2020 states that the Job Creation Law is contrary to the 1945 Indonesian Constitution and does not have a conditionally binding legal force. If no corrections are made within 2 years of the reading of the decision, the law will become permanently unconstitutional. Since March 31, 2023, *Undang Undang* No. 6 of 2023 concerning Stipulation of Government Regulation instead of Law Number 2 of 2022 concerning Job Creation has become law (Febriansyah & Henndy Ginting, 2020).

Before the existence of the Job Creation Law, employment issues were regulated in Law No. 13 of 2003. However, over time, it will be necessary to make amendments to several articles in Law No. 13 of 2003 on the Job Creation Law. There have been several significant amendments in labour norms, including *Perjanjian Kerja Waktu Tertentu* (PKWT) rules, outsourcing, the use of foreign workers, the mechanism for termination of employment, and administrative and criminal sanctions (Ayni et al., 2022). For articles that have not changed, they are declared to remain in force.

According to Article 1 of Law No. 13 of 2003 concerning employment, a worker or labor is any person who works by receiving wages or other forms of compensation. The working relationship itself occurs because of a work agreement between the employers and workers (Article 50). Based on Article 56 Law No. 13/2003, there are two types of employment agreements:

- a. Permanent employment agreement (unspecified time) and
- b. Non-permanent employment agreement (contractual or specific time).

The definition of work agreement for a permanent agreement, herein abbreviated as *Perjanjian Kerja Waktu Tidak Tertentu* (PKWTT), is a work agreement between worker/laborer and employer to enter a permanent employment relationship and the non-permanent agreement abbreviated as *Perjanjian Kerja Waktu Tertentu* (PKWT), is an intermediary work agreement for workers/laborers and entrepreneurs to hold employment relations within a certain time or for a certain job as per Government Regulation Number 35 of 2021 (Febrianti et al., 2021).

Government Regulation Number 35 of 2021 is a derivative of the Job Creation Law, which regulates Work Agreements for a Specific Time, Outsourcing, Working Time and Rest Time, and Termination of Employment. There are several differences between previous regulations, namely Manpower Law (*Undang-Undang* No. 13 of 2003) and current regulations (Government Regulation No 35 of 2021) regarding PKWT or contractual employees. The differences will be explained as follows.

Table 1. Comparison PKWT Regulation

Tuoie 1. Compunson FKW1 Regulation			
Previous Regulation	Current Regulation		
(UU no 13/2003)	(PP no 35/2021)		
Only be hired for certain jobs that will be	Only be hired for certain jobs that are		
completed within a certain time and no longer	completed once or work that is temporary in		
than three years.	nature, and certain other work whose type,		
	nature, or activities are not permanent.		
PKWT status is only valid for 2 years and can	PKWT status is valid for a maximum of 5		
be extended one time for a maximum period	years.		
of 1 year.			
If PKWT is performed for more than three (3)	PKWT being carried out for more than five (5)		
years, the work agreement automatically	years are that by law it becomes a PKWTT.		
becomes PKWTT.			
	Entrepreneurs are required to give workers'		
	compensation money when the PKWT ends.		
	Compensation money does not apply to		
	foreign workers employed under PKWT.		
The company is required to pay compliance	The company is obliged to provide		
with the calculation of the work agreement	compensation money at the end of the		
period.	employment relationship.		

Under the new rules, the contract which previously only required 3 years to become a PKWT employee changed to a longer one, namely 5 years. Although, in time, they were disadvantaged by the new rules, the state made a new policy with the employer's obligation to provide compensation at the end of each contract or the end of the employment relationship. This is done, of course, to protect the future of contract

employees who previously received nothing from the employer to ensure the certainty of future compensation when the contract ends (Gunawan, 2021).

A. Business Employment Issue

In a company, being a contractual employee, of course, will not get you a certain benefit package that only permanent employees get. Contract employees who work alongside permanent employees may experience jealousy as a result of this. Workers with PKWT work status receive better benefits in terms of job security in employment relationships than workers with PKWT work status (Gunawan, 2021).

When compared to the previous rules, PKWT employees did not get anything when the contract ended, so there is no additional benefit other than the salary they receive. With these new regulations, compensation at the end of the contract period has become a mandatory thing that must be fulfilled by good companies. With compensation for contract employees, it is expected that there will be employee attachment to the company, which is reflected in their performance at work.

A previous study conducted by (Gunawan, 2021) concluded that bonus has a significant effect on employee motivation and performance. Thus, good compensation can motivate employees to work even harder because they feel valued by the company where they work. In the research conducted by (Hoque et al., 2018), it was stated that the compensation system reduces turnover and enhances job performance. This is also supported by other research from (Sari et al., n.d.) which states that PKWT employees and compensation have a positive effect on employee performance.

Compensation is also one of the factors that influence employee engagement. This is supported by the results of research from (Othman et al., 2019), which show that leadership, compensation, and organizational culture have a positive and significant relationship with employee engagement. Likewise, the results of research from (Hoque et al., 2018), state that employee engagement partially mediates the relationship between the compensation system and employee performance.

But on the other side, according to (Wahyuni et al., 2022), the company only perceives that by fulfilling what employees want, for example, with attractive compensation, a comfortable workspace, and flexible time at work, it will naturally get employee engagement. Unfortunately, it does not always run linearly. On the one hand, employees themselves feel that what they receive is proportional to what they contribute.

According to (Tuten et al., 2015) Engagement Magic, giving employees transactional services is one of the top errors businesses make when interpreting engagement. If the company provides various facilities, then employees are required to be engaged with their work. As if it becomes a compulsion for employees to do something as a counter-accomplishment of what the company has given to them. Tracy persisted in his belief that involvement is a combination of feeling and action as well as a matter of

engagement. The engagement levels of employees can be determined by their contributions to the business. On the other hand, employees who only feel content with a minimal contribution only feel satisfied at the base level of employee satisfaction

METODE PENELITIAN

This study uses a descriptive analysis method using a qualitative case study. Case studies are studies that focus on a specific case that is carefully observed and analyzed to completion. The case that will be examined is a new one regarding the existence of compensation that must be paid to contract employees at the end of each contract and is still happening today.

Data collection is carried out in the following ways:

1. Library Research:

Library research is research conducted by collecting and analyzing primary data sourced from scientific papers, books, and other written sources that aim to solve a problem. In this study, the authors took data from the current Indonesian Labour Law, which is supported by previous scientific studies discussing relevant cases, namely regarding compensation and contract employees.

2. Field Research

This method is carried out by going directly to the company that is the object of research. In this study, the author collects information through interviews.

Interview

Using the interview method, the authors collect data by conducting questions and answers with direct sources of information, namely several contract employees with various positions in the companies studied as well as users in the Human Resources division as executors of laws and regulations regarding their realization in the field with employees, in this case, contract employees.

The interview will be held in a one-on-one session, with only one interviewer and one respondent. The estimation of time is 10-15 minutes per session. Process interviews will be recorded for interviewer reference and documentation and all the answer will be used for the research.

HASIL DAN PEMBAHASAN

A. Hasil

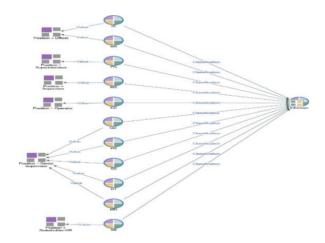
The dynamics of globalization and the rapidly developing transformation of information technology have changed the social and economic order, including changes in the field of employment. This change is a strategic challenge that demands the productivity and competitiveness of human resources as the main prerequisite for Indonesian workers to be able to play their role in the global economy. To improve the quality of Indonesian workers who are productive and competitive, the policy direction for the development of the manpower sector focuses on efforts to create the widest

possible employment opportunities and increase the protection of rights and welfare for workers, both at work and after the employment relationship ends.

As of March 2023, there were 236 active contract employees at this company who were dominated by Grade D, namely Graduates, Specialists, or Supervisors. The following details the PT XYZ contract employee groups as of March 2023:

Grade	Position	Amount (person)
A	Driver	3
В	Operator/Assistant	44
С	Officer	21
D	Graduate/Spec/Supv/Engineer	144
E	Senior Spec/Senior Supv/Senior Engineer	13
F	Superintendent	4
H & I	Manager	7
	Total	236

Interviews were conducted with several contract employees in various positions to obtain varied interview results. This is done by 10 contract employees and 1 HR person who is a direct user or stakeholder in handling contract employees in the company.



From interviews conducted with PT KPC contract employees from various positions with different ranges of lengths of service. It can be concluded that there are several influences on employees and the company itself regarding the payment of compensation. In terms of employees, the effect is as follows:

- The compensation received by contract employees at the end of each period affects their happiness because it increases their income directly.
- As an anticipation that if the contract is not renewed later, at least the employee concerned will have a living allowance for the next month while they look for another job.

 Considers that compensation is a take-and-give between employees and the company.

"But with this regulation, of course, it will make it easier for employees if one day their contract has to be terminated. So, for example, if he had a contract before PP35 was issued, the contract was immediately terminated.... because of this PP35 after his contract was terminated, he is still in quotation marks, yes, he can still live one month."

(PG - Contract employee - Superintendent)

This is increasingly supported by the background of each employee, for employees who are still in the lower ranks, this income can be a boost to their enthusiasm. But for middle- to upper-class employees, this compensation is categorized as "taking and giving" what they have done for the company, and the company is obliged to give something as an act of appreciation. Some even argue that being a contract employee on an ongoing basis is not a problem because they are not tied to the company, and the compensation that is paid regularly every year is more income for them. Even though the employee is aware that what is called compensation is also severance pay, which is paid in advance for their work.

"If it's not a problem for me, I'd rather have a contract because I'm not tied up, meaning whenever I go, there's no problem; it doesn't count my working period."

(MR – Contract employee – Senior Engineer)

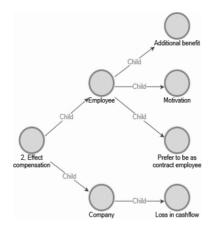
Even if this compensation does not exist, they all say the work environment is a major factor in carrying out their work. Good bosses and equal treatment between permanent and contract employees are the reasons they remain as contract employees while waiting for the opportunity to become permanent. They feel comfortable working at this company, and even though there are thoughts of looking for a better or permanent position outside this company, sometimes it just becomes a discourse that is rarely implemented.

"If you ask us, it is complex. First, yes, the environmental model here is good. It is good in the sense that it is still a self-service development. It is not too much that, from morning to night, you work all out. So, it is good for your health. In the sense that we are still working and still thinking about health. Secondly, we can still do other things outside of working hours. Outside, it means off. Then, third, we can still go to college, continue career development, continue to have rotation opportunities, and have acting opportunities, so the benefits are also good. So, there are a lot of factors that do not seem right to move." (SS – Contract employee - Senior Engineer)

Besides that, if permanent employees' severance pay is paid upon retirement or resignation (funds are temporarily withheld), then contract employees are paid first (funds are not withheld). Consequently, if contract employees are appointed as permanent employees, their term of service is calculated from the time they become

permanent employees, not contracts. So, with the obligation of employers to pay compensation for contract employees because of PP 35/2021 rules, entrepreneurs are disadvantaged in cash flow. Moreover, currently, the company does not accept new permanent employees, only permanent contract employees who have worked for 5 years. This is due to the decision of the top management not to allow the acceptance of new employees with permanent positions. This is supported by the statement from HR in the interview results.

"If asked whether the compensation is detrimental or not, it's a loss. Well, this is a bad policy... Even if you want to use PKWT, the PKWT period is over. Yes, don't use it again by the company." (SB - Supt. Industrial Relation - Stakeholder PKWT employee in the company)



So that it can be concluded from the results of interviews about the effect of compensation on contract employees and companies like the picture above. This shows that since the enactment of PP 35/2021 on the payment of compensation for contract employees, the company has suffered a loss in terms of cash flow because every year it is obligatory to pay employee severance pay, which if the permanent employee retires or resigns, can be withheld until the employee retires or resigns. From the point of view of contract employees, if previously they did not receive any length of service awards except for company policy, now they can feel even better and feel more valued even though they are still contract employees. Additional opinion as motivation to work even better. This is also supported by the reality on the ground: the working environment is very comfortable, and there are no gaps that are felt while working.

SIMPULAN

From the results of a case study conducted at a coal mining company using a qualitative method where data collection was carried out by interviewing contract employees one by one and from various positions, it can be concluded that the effect of compensation can increase motivation and as additional income that is obtained

annually. But for several employees, in terms of income, it is more than enough, they realize that compensation is just what employers take and give to employees when the length of service is not considered. That is why if the contract employees are permanent, then their working period will start at zero again.

What is interesting about the findings of this study is that the main factor for the respondents to remain contract employees was precisely the very comfortable working environment and the absence of a differentiating gap between contract and permanent employees. Whereas the case in this company itself is that there is no acceptance of new employees with permanent status from 2015 until now. There are only contract employees who have worked for a minimum of 5 years who are permanent. Strangely, though, the desire to find work in another place that offered a permanent position was only the plan. They decided to stay at that company.

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