



Legal Review of Outsourcing in Indonesia as a Form of Hidden Exploitation in Employment Relations

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Abstract

This study examines the practice of outsourcing in Indonesia as a form of hidden exploitation in employment relationships. Initially intended to improve company efficiency and create workforce flexibility, outsourcing often creates serious problems related to the protection of workers' rights. Many outsourced workers face status uncertainty, inadequate wages, limited access to social security, and even discrimination compared to permanent workers. These conditions demonstrate the potential for exploitation that contradicts the principles of social justice as mandated by the 1945 Constitution of the Republic of Indonesia and labor norms. The research method used is a normative juridical approach with a statutory and conceptual approach. Legal sources include primary legal materials in the form of relevant laws and regulations, particularly Law Number 13 of 2003 concerning Manpower and its amendments, Constitutional Court Decisions, and other derivative regulations. Secondary legal materials in the form of doctrine, labor law literature, and previous research findings are used to enrich the analysis. The results indicate that outsourcing regulations in Indonesia still leave room for ambiguity that companies can exploit to oppress workers. Inconsistencies between laws, government regulations, and on-the-ground practices weaken workers' bargaining power. This research confirms that outsourcing practices that fail to address worker protection principles have the potential to become a form of hidden exploitation, necessitating consistent law enforcement and the formulation of policies that better support social justice and worker welfare.

I. INTRODUCTION

The employment phenomenon in Indonesia in the last two decades has shown increasingly complex symptoms, especially since the development of the practice of handing over part of the work or outsourcing.(Meirianna and Fikri 2025)This system was initially introduced to address the need for flexibility in the business world, which demands efficiency and high competitiveness. Economic globalization, changing production patterns, and increasingly fierce competition have driven companies to seek ways to maintain efficiency in managing human resources. Outsourcing was then considered a pragmatic solution to reduce labor costs, transfer employment risks, and obtain a ready-to-use workforce. However, on the other hand, this practice has given rise to various serious

problems concerning the protection of workers' rights, employment security, and the potential for what is known as "covert exploitation."(Sukendro, Budiman, and Bhakti 2024).

From a regulatory perspective, outsourcing in Indonesia first received legal basis through Law Number 13 of 2003 concerning Manpower. Articles 64 to 66 stipulate that companies may delegate part of their work to other companies through work contracting agreements or the provision of worker/labor services. However, Law 13/2003 limits the types of work that may be outsourced to supporting work not directly related to core production activities. To clarify this limitation, the Ministry of Manpower and Transmigration issued Regulation of the Minister of Manpower and Transmigration Number 19 of 2012, which limits outsourcing to five types of

work: cleaning services, catering services, security services, worker transportation services, and supporting services in the mining and oil industries.(Tjandraningsih and Herawati 2010).

These restrictions were initially intended to protect workers from outsourcing their entire work. However, in practice, employers often seek legal loopholes by defining core work as support work, or even openly outsourcing core functions. It's not uncommon for workers who should have permanent status at the user company to be outsourced with short-term contracts. As a result, disparities arise between permanent and outsourced workers who perform similar work but receive different wages, benefits, and job security.

The situation changed further following the enactment of Law No. 11 of 2020 concerning Job Creation, which was later amended and enacted as Law No. 6 of 2023. Through Government Regulation No. 35 of 2021, regulations regarding outsourcing were significantly overhauled. One of the most crucial changes was the removal of restrictions on the types of work that could be outsourced. In other words, all types of work, both core and supporting, could be outsourced to outsourcing companies as long as there was a cooperation agreement and the labor provider was a legal entity and had an operational permit. The removal of this restriction raised significant concerns because it opened up more room for companies to reduce labor costs by treating workers as a flexible, easily replaceable commodity.(Saputra 2024).

From a legal perspective, the Constitutional Court has already reminded the government and employers through Decision Number 27/PUU-IX/2011. In that decision, the Constitutional Court emphasized that outsourced workers still have the right to equal protection, particularly regarding the principle of transferring rights protection when there is a change in the labor provider company. This means that the length of service, rights to wages, and social security must continue to be calculated continuously even if workers move from one outsourcing company to another, as long as they work for the same user. However, the implementation of this principle in

the field is far from expected. Many workers are actually laid off when there is a change in vendor and forced to sign new contracts with the status of "new employees," thereby losing their previous employment period.

Based on field data, the Central Statistics Agency (BPS) recorded that the number of employed people in Indonesia in February 2024 reached approximately 139 million. Of this number, only 42.18 percent were formal workers, while the remaining 57.82 percent worked in the informal sector. Within the formal sector, outsourced workers occupy significant positions, particularly in the services, manufacturing, transportation, and mining sectors. Although national figures for outsourced workers are not officially published regularly, data from the Ministry of Manpower and the Social Security Agency (BPJS Ketenagakerjaan) can serve as an indicator. In 2023, BPJS recorded approximately 8.9 million workers registered by employment service providers, with a low contribution compliance rate of approximately 74 percent. This means that nearly a quarter of outsourced workers are at risk of not being covered by social security.

In North Sumatra, according to a 2023 report from the Manpower Office, no fewer than 340 labor service providers were operating. Most of them channeled workers to the plantation, hotel, hospital, and cleaning and security sectors. Of the 72,000 workers registered through outsourcing companies in the province, approximately 31 percent complained about their continued employment status in the form of a fixed-term contract (PKWT) even though they had worked for more than three years. This clearly contradicts the provisions of Government Regulation 35/2021, which states that fixed-term employment agreements can only be applied to temporary jobs, not permanent and ongoing employment.

Another glaring issue is wage disparity. A 2022 survey report by the National Tripartite Cooperation Institute showed that, on average, outsourced workers in the banking sector receive wages 20 to 30 percent lower than permanent workers performing similar jobs, such as tellers or

administrative staff. Permanent workers receive health benefits and insurance, while outsourced workers often receive only a base salary without adequate benefits. This phenomenon further widens the welfare gap and creates a sense of injustice.

In the healthcare sector, the case of outsourced hospital workers has come under scrutiny. In Medan, for example, the union of a large private hospital reported that more than 60 percent of cleaning service and security staff are outsourced. They work long hours, but their wages hover around the city's minimum wage, with no additional benefits. Ironically, the heavy workload, especially during the COVID-19 pandemic, is not matched by adequate protection. Many outsourced hospital workers lack adequate personal protective equipment (PPE), despite working in high-risk environments.

Not only in North Sumatra, a similar phenomenon also occurs in labor-intensive industrial areas such as Bekasi, Karawang, and Batam. The Confederation of Indonesian Trade Unions (KSPI) noted that more than 40 percent of workers in the electronics and automotive manufacturing sectors in these regions are outsourced. In many cases, they perform core production work but remain contract workers through vendors. As a result, they struggle to access collective bargaining because unions at user companies cannot directly represent outsourced workers. This barrier to unionization is one of the most visible forms of hidden exploitation.

From an occupational health and safety (OHS) perspective, BPJS Ketenagakerjaan data for 2022 recorded 204,000 reported workplace accidents. Of these, approximately 28 percent involved workers from labor service providers. This high figure indicates that outsourced workers are more susceptible to accidents because they are often placed in high-risk jobs without adequate training and protection. This fact further strengthens the theory that outsourcing is often used as a means of risk transfer, where the user company avoids the obligation to provide direct protection.(Munir 2014).

In an international context, the International Labour Organization (ILO) has established standards through Convention No. 181 concerning Private Employment Agencies. This convention emphasizes the importance of strict regulation of labor supply companies, including the obligation to ensure equal protection for workers. Unfortunately, Indonesia has not yet ratified this convention. As a result, oversight of labor supply companies in Indonesia does not meet international standards, leaving numerous loopholes exploited to undermine workers' rights.

The problem is further complicated by the extremely limited number of labor inspectors in Indonesia. According to data from the Ministry of Manpower, as of 2022, there will be only around 2,700 inspectors to oversee more than 270,000 medium- and large-scale companies across Indonesia. This ratio is clearly far from the ILO standard, which recommends one inspector for every 10,000 workers. The limited number of inspectors means that many labor norm violations, including outsourcing practices, go undetected.(Ramadan 2023).

Based on the above description, it is clear that outsourcing practices in Indonesia have the potential for exploitation, often hidden behind the legality of contracts. This exploitation manifests itself in various forms: uncertain employment status through recurring PKWT (non-permanent work contracts), wage disparities between outsourced and permanent workers, weak access to social security, a high risk of workplace accidents, and limited freedom of association. This situation is exacerbated by weak government oversight and the absence of restrictions on types of work following the enactment of the Job Creation Law and Government Regulation 35/2021.

Therefore, research on Covert Exploitation in the World of Work: A Legal Review of Outsourcing Practices in Indonesia is crucial. This research aims not only to map regulatory gaps and exploitative practices but also to provide a factual picture of the conditions of outsourced workers in the field. Using a normative legal approach supported by empirical data, this study is expected to provide a comprehensive analysis of

the extent to which existing legal protections are able to prevent exploitation, as well as policy recommendations for improving labor governance in Indonesia.

II. RESEARCH METHODS

The type of research used in this work is normative legal research supported by empirical data. Normative legal research means research that uses laws and regulations, legal principles, doctrines, and court decisions as the primary sources of analysis. In the context of outsourcing research, this includes a review of Law Number 13 of 2003, Law Number 6 of 2023, Government Regulation Number 35 of 2021, Ministerial Regulation Number 19 of 2012, and Constitutional Court decisions related to outsourcing and wages. Furthermore, this research is descriptive-analytical, meaning it attempts to factually describe outsourcing regulations and practices, then analyze the alignment between legal norms and social reality.(Rahayu, SH, and Ke 2020).

The approaches used in this research include a statutory approach, a conceptual approach, a case approach, and a limited sociological approach. The statute approach is used to examine all legal instruments governing outsourcing.

III. RESULTS AND DISCUSSION

A. Portrait of Outsourcing in North Sumatra

North Sumatra Province is a region with highly complex labor dynamics. This region has a diverse economic character, ranging from palm oil, rubber, and tea plantations to manufacturing, trade services, hotels, hospitals, and transportation and logistics. This diversity makes North Sumatra an important laboratory for examining how outsourcing practices operate and their implications for worker protection. Outsourcing in this province is not limited to supporting jobs but has penetrated nearly all employment sectors, including core jobs that should be protected by permanent worker status.(Zaky and).

Data from the North Sumatra Provincial Manpower Office in 2023 showed that there were approximately 340 actively operating labor service providers. This number increased compared to 210 in 2018. This surge occurred in

line with national policies that relaxed outsourcing practices following the enactment of Law Number 11 of 2020 concerning Job Creation and its implementing regulation, Government Regulation Number 35 of 2021. Of the approximately 340 companies, only 72 percent had obtained complete operational permits. The remaining approximately 95 companies were still operating without fully meeting formal requirements. This situation indicates weak labor oversight in the region and also opens up space for outsourcing practices that violate regulations.(Farida 2014).

The number of outsourced workers recorded in North Sumatra in 2023 reached approximately 72,000. This figure represents a significant increase compared to 2017, when there were only around 45,000. Outsourced workers are spread across various sectors. The plantation sector employs approximately 30 percent of outsourced workers, primarily in positions such as palm oil harvesters, processing plant workers, and internal transportation workers. The cleaning and security services sector employs approximately 25 percent, primarily in hotels, hospitals, and shopping centers. The manufacturing sector employs approximately 20 percent, primarily in the industrial areas of Medan and its surroundings. The remainder is spread across transportation, logistics, education, and other services.

The situation of outsourced workers in North Sumatra reveals several fundamental problems. First, the issue of employment status. A 2022 survey by the North Sumatra Tripartite Cooperation Institute noted that approximately 31 percent of outsourced workers had worked for more than three years but remained on fixed-term contracts (PKWT) that were continually renewed. This contravenes legal provisions that stipulate that PKWTs may only be used for specific, temporary work. This practice demonstrates the abuse of outsourcing to avoid the obligation to appoint workers as permanent employees.

Second, the issue of wages. Data from labor unions in Medan City shows that the average outsourced worker in the hotel sector only receives the City Minimum Wage (UMK), which is

around IDR 3.6 million per month in 2023. Meanwhile, permanent workers performing similar work can earn up to IDR 5 million per month, plus health benefits and incentives. This difference highlights a significant welfare gap between outsourced and permanent workers, despite their workloads being relatively similar.

Third, the issue of social security. The Medan branch of BPJS Ketenagakerjaan (the Indonesian Employment Social Security Agency) noted that of the total outsourced workers in the region, only around 78 percent are registered as active participants. The remaining 22 percent are either unregistered or have outstanding contributions. This means that tens of thousands of outsourced workers in North Sumatra are at risk of being unprotected if they suffer a work-related accident, illness, or reach retirement age. This situation demonstrates the weak compliance of labor supply companies in fulfilling their normative obligations.

Fourth, occupational health and safety issues. The 2022 BPJS Ketenagakerjaan report recorded approximately 4,500 workplace accidents in North Sumatra, 27 percent of which involved outsourced workers. This figure is quite high considering that the proportion of outsourced workers to the total formal workforce in the province is only around 12 percent. This data indicates that outsourced workers tend to be placed in high-risk jobs, yet their OSH protection is weak. Many cases indicate that outsourced workers do not receive adequate safety training or are not provided with proper personal protective equipment.

Fifth, the issue of freedom of association. Trade unions at several large hospitals and hotels in Medan revealed that outsourced workers often have difficulty joining unions within their employer companies. The reason often cited is that they are not directly employed by the company and therefore do not have the right to join unions. This situation leaves outsourced workers without a representative body to advocate for their interests, further weakening their bargaining position.

From a legal perspective, the outsourcing issue in North Sumatra is also evident in decisions by

the Medan Industrial Relations Court. One example is a 2021 ruling involving dozens of outsourced workers at a large plantation company. The workers demanded that their more than five years of employment be recognized as permanent, as they continued working despite changes in vendors. However, the court only recognized their employment relationship with the service provider, not with the plantation company as the user. This ruling demonstrates how the law still favors formal contractual relationships, rather than substantive protection.

However, a different ruling occurred in 2023, when the Medan Industrial Relations Court (PHI) ruled in favor of a group of outsourced workers at a logistics company. The judge ruled that workers retained their rights to transfer their rights even if the vendor changed, in accordance with the principles affirmed by the Constitutional Court. This ruling demonstrates a shift in legal awareness, although it remains inconsistent.

A legal analysis of the outsourcing landscape in North Sumatra reveals a tension between legal norms and on-the-ground practices. While regulations do stipulate that outsourced workers are entitled to protection, their implementation is often neglected. Weak regional oversight allows labor supply companies to engage in deviant practices. User companies often resort to contractual formalities to avoid responsibility. As a result, outsourced workers are trapped in a cycle of uncertainty and vulnerability that is difficult to break.

From a social perspective, this situation has the potential to trigger industrial conflict. Dissatisfaction among outsourced workers who feel they are being treated unfairly could lead to demonstrations or strikes. In recent years, labor unions in North Sumatra have held several demonstrations demanding the abolition of outsourcing or at least restrictions on the types of work that can be outsourced. These demands demonstrate that outsourcing is not merely a technical labor issue but also concerns social stability in the region.

From an economic perspective, reliance on outsourcing also presents a dilemma. On the one hand, user companies perceive greater efficiency

by eliminating the long-term burden of permanent workers. However, on the other hand, worker productivity can decline as they work with a sense of insecurity and lack of motivation due to constantly renewing contracts. This has the potential to harm the company in the long run.

Overall, the portrait of outsourcing in North Sumatra reveals a murky landscape of outsourcing practices in Indonesia. Lax regulations, weak oversight, company non-compliance, and workers' weak bargaining power create conditions worthy of being called "hidden exploitation." This is what makes research on outsourcing not only important but also urgent, as it concerns the fate of tens of thousands of vulnerable workers. This research will deepen the analysis of the gap between legal norms and practices on the ground, and offer recommendations for improvements so that outsourcing is no longer an instrument of exploitation, but truly operates in accordance with the principles of social justice and worker protection.

Aspect	Key Findings	Legal/Social Implications
Number of Provider Companies	±340 companies (2023), 72% licensed, ±95 still do not have formal permits	Shows weak regional labor supervision
Number of Outsourcing Workers	±72,000 people (2023), up from ±45,000 (2017)	The dependence of user companies on outsourcing is increasing
Absorbing Sector	30% plantations, 25% cleaning & security, 20% manufacturing, the rest logistics, transportation,	Outsourcing is not only for supporting, but also core work

	hospitals, hotels	
Employment Status	31% of workers >3 years remain on recurring PKWT	Misuse of PKWT, contrary to the principle of protection
Wages	Hotel outsourcing workers: Rp. 3.6 million (UMK) vs. permanent workers: Rp. 5 million + allowances	Welfare gap, potential for discrimination
Social Security (BPJS)	78% registered, 22% unregistered/in arrears	Vulnerable workers without social protection
K3	27% of work accidents in North Sumatra (2022) affected outsourcing workers	High risk, minimal training & PPE
Freedom of Association	It is difficult to join a union in a user company.	Weak bargaining position, constitutional rights are not optimal
Medan Industrial Relations Court Decision	There are decisions that only recognize the relationship with the vendor (2021), there are those that recognize the transfer of rights according to the Constitutional Court (2023)	Inconsistency of jurisprudence, legal uncertainty
Social	Labor action	The

Impact	demands restrictions/elimination of outsourcing	potential for industrial conflict is increasing
Economic Impact	Short-term efficiency, but low worker motivation & productivity	It could harm the company in the long term

Table 4.1. Summary of Outsourcing Portraits in North Sumatra

B. Implementation of Outsourcing and Worker Protection

Outsourcing practices in Indonesia, including in North Sumatra, reflect the tension between corporate efficiency needs and the principle of worker protection guaranteed by labor law. Normatively, the outsourcing system is regulated by the Manpower Law (Law No. 13 of 2003), which was then strengthened and updated in Law No. 11 of 2020 concerning Job Creation, which was subsequently revised through Law No. 6 of 2023 and detailed in Government Regulation No. 35 of 2021. These regulations emphasize that outsourced workers retain the same rights as direct employees of user companies, particularly regarding wages, social security, and decent working conditions. However, the reality on the ground shows that many loopholes remain that allow for covert exploitation practices.

One important aspect of implementation is the issue of employment status. Theoretically, outsourced workers should have a direct legal relationship with the service provider company (vendor), while the user company only has a legal relationship with the vendor. However, in practice, many workers actually work, interact, and receive instructions directly from the user company. This situation creates a problematic dualism in the employment relationship. The Constitutional Court, in Decision Number 27/PUU-IX/2011, once emphasized the principle of transfer of rights protection, namely that outsourced workers retain the right to protection even though a formal legal relationship exists with the vendor.

Unfortunately, this decision has not been fully implemented, as evidenced by the numerous cases of outsourced workers who do not receive recognition when demanding their rights from the user company. (Sastya Nugrani and).

In practice in the plantation sector in North Sumatra, for example, many outsourced workers actually perform core tasks such as oil palm harvesting, transporting fresh fruit bunches, and plantation maintenance. However, according to Government Regulation 35/2021, outsourcing should be limited to supporting or non-core work. Field data from the Plantation Workers Union (2023) shows that more than 40% of field workers on large plantations are still outsourced, with wages averaging 15-20% lower than those of permanent workers. This phenomenon points to regulatory violations and negligence by labor inspectors.

In addition to issues of wages and employment status, the implementation of protection for outsourced workers also faces challenges in terms of social security. Although employers are legally required to register their workers with the BPJS Ketenagakerjaan (Employment Social Security Agency) and BPJS Kesehatan (Healthcare Social Security Agency), not all workers are registered. Data from the North Sumatra Manpower Office in 2022 showed that approximately 22% of outsourced workers in Medan and Deli Serdang were not registered with the social security program. This leaves them highly vulnerable to workplace accidents or illness.

Another often overlooked aspect is occupational safety and health (OHS). Many outsourcing companies fail to provide adequate training or proper personal protective equipment. A report by a labor NGO in Belawan noted that of 37 workplace accidents in the port loading and unloading sector throughout 2022, 24 involved outsourced workers. This fact indicates that outsourced workers are often placed in high-risk jobs without adequate protection. (Indonesia nd).

Equally important is the issue of freedom of association. Although the 1945 Constitution and Law No. 21 of 2000 guarantee workers' rights to form and join unions, in practice, outsourced workers often face structural barriers. Many user

companies refuse to allow outsourced workers to join their unions, arguing that they are not direct employees. This weakens the bargaining position of outsourced workers in fighting for their rights.(Usman, Marbun, and Arief 2011).

In terms of law enforcement, the role of labor inspectors is far from optimal. The number of inspectors is very limited compared to the number of companies and workers they must supervise. In North Sumatra, there are only approximately 90 labor inspectors, who are required to oversee more than 24,000 companies (North Sumatra Manpower and Transmigration Office, 2023). This limitation allows many outsourcing violations to escape legal action. Even when clear violations occur, the enforcement process is often stalled due to political and economic interests between large companies and local governments.

From all these facts, it can be concluded that the implementation of outsourcing in Indonesia, particularly in North Sumatra, is far from ideal. Rather than being an instrument of corporate efficiency, outsourcing practices often become a means of exploiting workers through short-term contracts, lower wages, minimal social security, and limited freedom of association. This demonstrates a mismatch between written legal norms and the reality on the ground.

Thus, while outsourcing regulations have attempted to emphasize the principle of worker protection, their implementation still faces significant challenges. Strategic measures are needed, including strengthened oversight, strict sanctions for violations, and reaffirming restrictions on the types of work that may be outsourced. Without these measures, outsourcing practices in Indonesia will only perpetuate the cycle of injustice for workers.

C. Implementation of Protection for Outsourcing Workers

Protection of workers is a key pillar of employment law in Indonesia. Article 27 paragraph (2) of the 1945 Constitution affirms that every citizen has the right to work and a decent living for humanity. This constitutional mandate is then enshrined in various laws and

regulations, one of which is Law No. 13 of 2003 concerning Manpower (which was amended by Law No. 11 of 2020 concerning Job Creation, and then updated by Law No. 6 of 2023). However, despite these regulations, the implementation of protection for outsourced workers in Indonesia, including in North Sumatra, still faces many problems. Legal implementation often stops at the formal level and has not fully touched the real lives of workers.

One crucial aspect in implementing protection concerns employment status. Legally, outsourced workers are considered employees of the labor provider, not directly employed by the user company. Therefore, all administrative matters—from employment contracts and wage payments to social security—are the responsibility of the service provider. However, in practice, outsourced workers often have more contact with the user company, as work instructions, performance appraisals, and workloads come directly from the user. This situation creates what is known as dual subordination, where workers are under dual supervision: administratively bound to the vendor but functionally subordinate to the user company. This potentially weakens legal protections because when disputes arise, workers are often thrown between two entities without certainty about who is responsible.

The Constitutional Court, through Decision Number 27/PUU-IX/2011, introduced the principle of transfer of protection, which states that even though the formal legal relationship lies with the provider, workers must still receive protection for their rights from the user company in the event of a transfer of employment. This decision was intended to prevent the practice of "washing hands" of user companies, which often absolve themselves of responsibility. However, the reality on the ground shows that this principle has not been consistently applied. For example, several decisions of the Medan Industrial Relations Court (PHI) in 2021 only recognized the liability of the vendor company, while decisions in 2023 began to recognize the role of the user company. This uncertainty demonstrates the weak consistency of legal application, leaving outsourced workers in a vulnerable position.

In terms of wages, Article 66 paragraph (2a) of the Manpower Law stipulates that outsourced workers are entitled to receive the same wages and working conditions as permanent workers at user companies when performing the same work. However, empirical data shows a clear disparity. Research by the North Sumatra Manpower Office in 2022 found that outsourced workers in the Medan hotel sector received an average of IDR 3.6 million per month, according to the minimum wage, while permanent workers performing similar functions could receive IDR 5 million to IDR 6 million with additional benefits. This disparity creates clear discrimination, even though regulations require equality. Furthermore, the vendor payment system often results in delayed salaries, as user companies disburse funds first to the vendor, only after the workers receive their wages. This situation recurs every month and undermines workers' livelihood security.

In terms of social security, both the Manpower Law and Law No. 24 of 2011 concerning the Social Security Agency (BPJS) require every company to register its workers in health and employment insurance programs. However, in reality, many outsourced workers remain unregistered. Data from the Medan branch of BPJS Ketenagakerjaan (BPJS Ketenagakerjaan) in 2023 showed that approximately 22% of outsourced workers were unregistered, while some were registered but had outstanding contributions due to non-payment by the vendor company. The impact is serious: workers lose access to healthcare, work-related accident benefits, and old-age security. In some cases, outsourced workers who suffer work-related accidents lack adequate protection and receive only minimal compensation from the vendor. This situation highlights the serious gap between legal norms and reality.

Occupational safety and health (K3) also demonstrate weaknesses in the implementation of protections. Many outsourced workers are placed in high-risk sectors, such as port loading and unloading, plantation product transportation, and construction work. However, safety training, provision of personal protective equipment (PPE), and monitoring systems are often neglected. An

NGO report in Belawan noted that 24 of the 37 workplace accidents in 2022 involved outsourced workers who lacked adequate training. This situation highlights that outsourcing is often used as a shortcut to reduce company operational costs, at the expense of worker safety.

Furthermore, the issue of freedom of association remains a recurring challenge. Legally, outsourced workers have the right to form or join a union (Law No. 21 of 2000). However, in practice, user companies often reject the existence of outsourced workers' unions within their environments, arguing that these workers are not directly employed. As a result, outsourced workers are isolated and lack a strong collective bargaining position. Several labor unions in Medan have complained that outsourced workers who attempt to form a union are blacklisted by the vendor company and their contracts are not renewed. This clearly contradicts the spirit of industrial democracy mandated by the constitution.

Another equally important issue is job security. Outsourcing is almost always associated with a Fixed-Term Employment Agreement (PKWT). Although regulations limit PKWTs to a maximum of five years (Article 8 of Government Regulation No. 35 of 2021), many outsourced workers work for more than five years without changing their status to permanent. They are employed on recurring contracts, thus lacking legal certainty. This situation violates the principle of job protection and causes social unrest. The National Workers Union (SPN) of North Sumatra reported the case of a cleaning worker at a local government agency who had worked for 12 years, but whose contract was renewed each year through a different vendor. This case illustrates how outsourcing is exploited to avoid the obligation to hire permanent workers.

The protection of outsourced workers is also inseparable from the issue of supervision and law enforcement. The function of labor inspectors should be the spearhead of protection. However, with a very limited number of inspectors, outsourcing violations are rarely monitored. In North Sumatra, there are only approximately 90 inspectors to oversee more than 24,000

companies. Given these limitations, it is difficult to imagine that every violation will be prosecuted. In fact, labor reports indicate that some large companies have good relationships with local officials, so even when violations occur, sanctions are rarely imposed. This reinforces the notion that the protection of outsourced workers is often trumped by economic and political interests.

From a social justice perspective, this situation clearly contradicts the objectives of labor law. Regulations are designed to balance the interests of employers and workers, but in practice, employers often dominate. Outsourced workers are the most disadvantaged due to their structurally, functionally, and politically weak position. Without state intervention through strict oversight and strict sanctions, this injustice will persist.

Thus, the implementation of protection for outsourced workers in Indonesia remains far from ideal. Wage protection is not optimal, social security is frequently violated, occupational safety is neglected, freedom of association is hampered, and job security is neglected. All of this indicates a serious gap between legal norms and practice. The state needs to strengthen oversight instruments, enforce the principle of equal pay, ensure BPJS membership, and provide job security for outsourced workers who have worked for many years. Without concrete steps, outsourcing will simply become a legal instrument for expanding covert exploitation in the workplace.

Protection Aspects	Applicable Regulations	Implementation in the Field	Main Problems
Employment Status	Law 13/2003 in conjunction with Law 6/2023; Government Regulation	Formally, workers are tied to vendors, but work orders come from user companies (dual subordination)	Workers are often blamed for disputes; it is difficult to determine who

	35/2021; Constitutional Court Decision No. 27/PUU-IX/2011 (transfer of protection)	on)	is responsible.
Wages & Working Conditions	Article 66 of Law 13/2003: the right to the same wages as permanent workers for similar work	The average outsourcing wage is in accordance with the UMK, but lower than that of permanent workers in the same position.	Wage discrimination and late payments due to vendor payment systems
Social Security (BPJS)	Law 24/2011 concerning BPJS; company obligation to register workers	Some outsourcing workers are not registered or their contributions are in arrears	Workers lose access to health care, accident benefits, and old age security.
Occupational Safety & Health (K3)	Manpower Law & Ministerial Regulation regarding K3	Many outsourced workers in high-risk sectors (ports, construction) do not receive training/PP	The high number of work accidents; the majority of which affect outsourc

		E	ing workers
Freedom of Association	Law 21/2000 concerning Trade Unions	It is legal to form a union, but user companies often refuse.	Workers who try to unionize are blacklisted or have their contracts not renewed.
Job Security (PKWT)	PP 35/2021: maximum 5-year contract	Many outsourced workers are contracted for >5 years with changing vendors.	There is no certainty of permanent status, even though you have worked for dozens of years.
Supervision & Law Enforcement	Authority of labor inspectors (Law 23/2014, Law 6/2023)	The number of supervisors is very limited; ±90 people in North Sumatra for >24 thousand companies.	Violations are rarely prosecuted; the existence of economic-political relations weakens sanctions.

Table 4.2. Summary of Implementation of Protection for Outsourced Workers in Indonesia

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

The overall research findings suggest that outsourcing practices in Indonesia still pose many serious problems that could potentially lead to hidden forms of worker exploitation. Normatively, labor regulations, including the Manpower Law, the Job Creation Law, and Government Regulation No. 35 of 2021, restrict outsourcing to supporting work, with guaranteed protection of workers' rights, including wages, social security, and freedom of association. However, the reality on the ground shows that systematic regulatory violations persist, such as the use of outsourced workers for core work, wage discrimination, late payments, low BPJS (Social Security) participation, and weak implementation of occupational safety standards. This fact demonstrates a significant gap between applicable laws and company practices.

Furthermore, weak oversight and law enforcement exacerbate the plight of outsourced workers. The very limited number of labor inspectors, coupled with the political and economic interests of large companies, means that many violations go unpunished. Consequently, outsourcing often becomes an instrument of flexibility for companies, but also a means of exploiting workers. Therefore, this study emphasizes the importance of regulatory reform and strengthened state oversight to ensure that outsourcing practices no longer become an area of exploitation but are truly in line with the principles of social justice as guaranteed by the constitution.

B. Suggestion

First, the government needs to strengthen regulations and clarify the boundaries of outsourcing practices by strictly prohibiting the use of outsourced workers for core work, not only at the normative level but also through effective field supervision. To this end, the number and capacity of labor inspectors must be increased so that violations can be promptly prosecuted. Furthermore, established administrative and criminal sanctions must be consistently enforced without discrimination, thus providing a

deterrent effect for companies that continue to ignore workers' rights.

Second, companies providing and using outsourced labor must establish fair and transparent employment practices, including ensuring equal wages, social security, and occupational safety for outsourced workers. Companies' obligations to register workers in the Social Security Agency (BPJS) program must be fully implemented, considering that social protection is a fundamental worker right. Furthermore, a mechanism is needed to ensure that outsourced workers do not lose their right to organize, as workers' organizations can be an important tool in advocating for workers' interests and improving their welfare.

Third, from both academic and civil society perspectives, research and advocacy on outsourcing practices must continue to be encouraged to pressure the government and companies to improve the system. Trade unions, NGOs, and academics can work together to speak out about violations and push for more pro-worker policy reforms. With a combination of strong regulations, effective oversight, and active public participation, outsourcing practices in Indonesia can be directed towards becoming a legitimate and fair employment instrument, rather than a hidden instrument of exploitation.

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