

Legal Certainty and Justice Principles in Minimum Wage Determination under Government Regulation No. 51/2023

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: ABSTRACT

This study examines the implementation of legal certainty in worker wage determination under Government Regulation No. 51 of 2023 on Wages by applying the principles of distributive, legal, and commutative justice. Using a normative juridical method with statute, case, and conceptual approaches, the research relies on primary legal sources, scholarly literature, and statistical data from the Central Statistics Agency. The analysis integrates doctrinal interpretation with a radar evaluation model covering ten dimensions, including legal certainty, accountability, justice, transparency, and sustainability. The findings reveal that the new formula, based on inflation, regional economic growth, and a region-specific index, supported by employment absorption and median wage, creates greater predictability and fairness in wage determination. Strengthening the role of Regional Wage Councils through a tripartite-plus mechanism enhances legitimacy and accountability. The study concludes that the regulation represents a significant innovation in Indonesia's labor law, balancing business sustainability with worker welfare while advancing the realization of social justice mandated by Pancasila.

ABSTRAK

Kata-kata kunci:

Kepastian Hukum;

Keadilan Sosial;

Pengupahan;

Perlindungan Pekerja;

Status Kerja.

Asas Kepastian Hukum dan Keadilan dalam Penetapan Upah Minimum Berdasarkan Peraturan Pemerintah Nomor 51 Tahun 2023. Penelitian ini mengkaji implementasi kepastian hukum dalam penetapan upah pekerja berdasarkan Peraturan Pemerintah No. 51 Tahun 2023 tentang Pengupahan dengan menerapkan prinsip keadilan distributif, legal, dan komutatif. Dengan menggunakan metode yuridis normatif melalui pendekatan perundang-undangan, kasus, dan konseptual, penelitian ini bertumpu pada sumber hukum primer, literatur akademik, serta data statistik dari Badan Pusat Statistik. Analisis mengintegrasikan interpretasi doktrinal dengan model evaluasi radar yang mencakup sepuluh dimensi, termasuk kepastian hukum, akuntabilitas, keadilan, transparansi, dan keberlanjutan. Temuan menunjukkan bahwa formula baru, berbasis inflasi, pertumbuhan ekonomi regional, dan indeks spesifik daerah, yang didukung oleh variabel penyerapan tenaga kerja dan upah median, menciptakan prediktabilitas dan keadilan yang lebih besar dalam penetapan upah. Penguatan peran Dewan Pengupahan Daerah melalui mekanisme tripartit-plus meningkatkan legitimasi dan akuntabilitas. Studi ini menyimpulkan bahwa regulasi tersebut merupakan inovasi signifikan dalam hukum ketenagakerjaan Indonesia, menyeimbangkan keberlanjutan usaha dengan kesejahteraan pekerja sekaligus memajukan terwujudnya keadilan sosial yang diamanatkan Pancasila.

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Introduction

The employment relationship between workers and employers constitutes a fundamental element in the structure of the modern economy, requiring comprehensive legal regulation to ensure justice and a balance of interests (Izziyana et al., 2022). In the context of Indonesia, a developing country characterized by geographic complexity and significant economic disparities, the regulation of the wage system presents a multidimensional challenge that simultaneously involves legal, economic, and social aspects. Based on the constitutional mandate of Article 27(2) of the 1945 Constitution of the Republic of Indonesia, which states that “Every citizen shall have the right to work and to a decent livelihood,” the State bears a constitutional obligation to ensure the establishment of a wage system that not only protects the rights of workers but also considers the sustainability of businesses as providers of employment opportunities (Nasution, 2017).

The evolution of minimum wage regulation in Indonesia has undergone significant transformation from the New Order era to the Reform era, reflecting the complex political and legal dynamics in the effort to create a balance between worker protection and business interests (Halim, 2021). The shift from a centralized system to a decentralized approach in the determination of minimum wages, through various regulations ranging from Ministerial Decrees to Government Regulations, illustrates that wage regulation is a sensitive and strategic domain within national economic policy. This complexity is further exacerbated by the pressures of economic globalization, which demand high competitiveness, while at the same time, there is a constitutional imperative to realize social justice for all Indonesian people as mandated by the fifth principle of Pancasila.

The wage system that was in place prior to the enactment of Government Regulation No. 51 of 2023 faced fundamental criticisms, both from academic and practical perspectives (Purnama et al., 2021). Uncertainty in the wage-setting formula, the dominance of political interests in the negotiation process, and the lack of objective data constituted systemic weaknesses that hindered the establishment of harmonious industrial relations. These issues were further exacerbated by significant economic disparities between regions, where the application of a uniform formula across all regions of Indonesia failed to accommodate the diversity of local economic conditions. As a result, the determination of minimum wages often triggered tensions between local governments, businesses, and labor unions, ultimately affecting the stability of industrial relations and the investment climate.

Previous literature reviews indicate that research on Indonesia’s wage system has developed quite extensively; however, there remains a significant gap in the comprehensive legal analysis of the minimum wage-setting formula. Silalahi (2006) identified fundamental problems in wage regulation under Law No. 13 of 2003, particularly concerning the implementation of the principles of justice and the effectiveness of wage scale structures. His research revealed that the formulation of wage-related provisions in labor legislation did not fully embody principles of fairness, the application of structured wage scales remained minimal, and there existed a significant gap between the lowest and highest wages, which did not reflect differences in productivity. However, Silalahi’s study was limited to an analysis of outdated regulations and did not examine the development of objective formulas as introduced in more recent regulations.

From the perspective of labor economics, various international studies have explored the relationship between minimum wages and macroeconomic variables. Card and Krueger (1994), in their seminal study on the impact of minimum wages on employment, demonstrated that increases in the minimum wage do not necessarily lead to a decline in employment levels, depending on labor market conditions and the methodology used in wage determination. Their findings introduced a new paradigm in labor economics that challenged traditional neoclassical views. Nevertheless, the application of these findings within the Indonesian context with its distinct economic characteristics requires a more specific analysis that considers local legal and institutional frameworks.

Research by Borat, Kanbur, and Mayet (2012) on estimating the causal effect of minimum wages on inequality has made an important contribution to understanding the relationship between minimum wage policies and income distribution. Their findings suggest that the effectiveness of minimum wages in reducing inequality is highly dependent on the design of the policy and the enforcement mechanisms implemented. In the Indonesian context, the study by Comola and De Mello (2011), which analyzed the impact of minimum wage policies on wage distribution, found that minimum wage policies had a significant spillover effect on the overall wage structure. However, these studies have not examined in depth the legal certainty and implementation of justice principles in the wage-setting formula.

From the perspective of labor law, the study by Hari Supriyanto (2004) on the shift from private law to public law in Indonesian labor law provides an important theoretical foundation for understanding the evolution of worker protection. Supriyanto demonstrated that the transformation of labor law from a private domain to a public one has significant implications for the role of the State in regulating labor relations. Complementing this perspective, Djumadi (2004) conducted an in-depth analysis of the legal protection mechanisms available to workers through labor law and employment agreements. Both studies contribute to the theoretical understanding of worker protection but have not specifically analyzed the mechanism of minimum wage determination based on objective formulas.

International comparative studies on minimum wage-setting systems reveal significant variation in approaches adopted across different countries. Boeri's (2012) research on *institutional reforms and dualism in European labour markets* analyzes various models of minimum wage determination in Europe and their impact on labor market flexibility. In contrast, Dube, Lester, and Reich (2010), in their study on *minimum wage effects across state borders*, utilize a spatial discontinuity design to examine the effects of minimum wage policies in the United States. These two studies provide crucial insights into best practices in minimum wage policy design; however, differing institutional and economic contexts necessitate substantial adaptation for application within the Indonesian setting.

Previous research on the role of tripartite institutions in minimum wage-setting has also produced varied findings. Hayter and Stoevska (2011), in their study on *social dialogue indicators*, analyzed the effectiveness of social dialogue across different countries and found that the success of tripartite mechanisms largely depends on the quality of representation, transparency of the process, and political commitment from all involved stakeholders. Complementing this perspective, Eyraud and Saget (2005), in *the fundamentals of minimum wage fixing*, offer a detailed analysis of the technical criteria that must be considered in determining minimum wages. Nevertheless, these studies have yet to analyze institutional innovations within a *tripartite-plus* system that includes academics as independent participants.

From a methodological perspective, various studies have explored the use of economic variables in wage-setting formulas. Messenger and Ghosheh (2013), in *work sharing during the Great Recession*, examined the use of macroeconomic indicators in labor policy during economic crises. Similarly, Kertesi and Köllő (2003), in *fighting "low equilibria" by doubling the minimum wage?*, analyzed the impact of drastic changes in wage-setting methodology in Hungary. Both studies underscore the importance of stability and predictability in minimum wage formulas but have not yet thoroughly addressed the integration of inflation, economic growth, and specific indices into a holistic framework.

Research on the relationship between the minimum wage and the median wage as an indicator of income distribution has also grown significantly. Autor, Manning, and Smith (2016), in *the contribution of the minimum wage to US wage inequality over three decades*, examined the evolution of the minimum-to-median wage ratio and its impact on income distribution. Similarly, DiNardo, Fortin, and Lemieux (1996), in *labor market institutions and the distribution of wages*, employed decomposition techniques to assess the contribution of minimum wage policy to changes in wage distribution.

However, these studies were conducted within advanced economies with distinct economic structures from that of Indonesia; thus, their findings require empirical validation in developing country settings.

Based on this comprehensive literature review, several significant research gaps are identified. First, there is a lack of in-depth legal analysis regarding the implementation of justice principles in minimum wage-setting formulas that integrate objective economic variables. Second, research on the effectiveness of the *tripartite-plus* mechanism incorporating academics as independent actors in minimum wage determination remains limited. Third, legal certainty derived from objective formulas within Indonesia's legal system has not received sufficient academic attention. Fourth, a comprehensive evaluation of the implementation of distributive, legal, and commutative justice principles in the wage system under the latest regulations remains largely unexplored.

The scientific novelty of this article lies in its comprehensive and multidimensional analysis of the implementation of Government Regulation No. 51 of 2023 on Wages as a fundamental innovation in Indonesia's minimum wage-setting system. Unlike prior studies that tend to focus separately on either economic or legal aspects, this research integrates normative legal analysis with policy effectiveness evaluation within a holistic framework. This article introduces a new analytical model using *radar analysis* to evaluate the wage system through ten dimensions of effectiveness an approach that has not previously been applied in Indonesian labor law studies. Furthermore, the study contributes theoretically by developing a typology of the relationship between economic variables (inflation, economic growth, employment absorption rate, and median wage) and the implementation of justice principles in minimum wage determination.

Methodologically, the study introduces an innovative approach by combining normative juridical analysis with quantitative evaluation of wage system effectiveness. The integration of doctrinal legal analysis with empirical assessment of policy implementation offers a novel perspective in labor law studies that is both more applicable and policy-oriented. This research also introduces the concept of *objective legal certainty* in the context of minimum wage-setting, defined as legal certainty created through the use of verifiable data and methodologies, as opposed to traditional legal certainty, which relies primarily on normative clarity.

From a practical standpoint, this study provides a model for evaluating the effectiveness of wage systems that can be adapted for the assessment of other labor policies. The *radar analysis* framework developed in this study may serve as a valuable evaluation tool for policymakers to simultaneously assess multiple dimensions of policy effectiveness. Additionally, the study yields concrete recommendations for optimizing the implementation of Government Regulation No. 51 of 2023, particularly regarding areas in need of improvement, such as system flexibility and efficiency in wage determination processes.

The research problem addressed in this article is how Government Regulation No. 51 of 2023 succeeds in creating legal certainty in wage-setting through the implementation of objective and measurable justice principles. Specifically, the study tests the hypothesis that the new wage-setting formula which integrates three primary variables (inflation, economic growth, and a specific index) with two supporting variables (employment absorption rate and median wage) can produce a more just, transparent, and sustainable wage system compared to the previous one. A second hypothesis examined is that strengthening the role of Regional Wage Councils through a *tripartite-plus* composition (including academics) enhances the legitimacy, accountability, and effectiveness of the minimum wage-setting process.

The study also explores research questions on how the implementation of the three Pancasila justice dimensions distributive, legal, and commutative is manifested in the technical mechanisms of minimum wage determination under Government Regulation No. 51 of 2023. Additional questions include the extent to which the new wage system achieves an optimal balance between worker

protection and business interests, and how the system's effectiveness can be comprehensively evaluated through multiple dimensions of analysis.

This article aims to comprehensively analyze the implementation of Government Regulation No. 51 of 2023 on Wages in establishing legal certainty and justice within Indonesia's wage-setting system. Specifically, the study seeks to evaluate the effectiveness of the new wage-setting formula that incorporates objective economic variables in fostering predictability and transparency for all stakeholders. The second objective is to analyze the role and effectiveness of strengthening Regional Wage Councils through *tripartite-plus* composition in improving the legitimacy and accountability of the minimum wage determination process. The study also aims to evaluate the application of Pancasila justice principles within the new wage system and identify its contribution to harmonizing industrial relations. The final objective is to develop a framework for evaluating the effectiveness of wage systems, which can be utilized in broader labor policy assessments, and to offer concrete recommendations for optimizing the implementation of Government Regulation No. 51 of 2023 in achieving social justice and sustainable economic development.

Method

This study employs a normative juridical research design that integrates statute, case, and conceptual approaches within a multidimensional analytical framework. Primary legal materials include the 1945 Constitution, Law No. 13 of 2003 on Manpower, Law No. 11 of 2020 on Job Creation, and Government Regulation No. 51 of 2023 on Wages, while secondary materials consist of scholarly literature, peer-reviewed journals, and expert commentaries, and tertiary materials comprise legal dictionaries and statistical data from the Central Statistics Agency (BPS). Data were collected through systematic documentary study and literature review, ensuring both doctrinal rigor and empirical relevance. Analysis was conducted using a descriptive-qualitative technique, supported by comparative legal reasoning and complemented with a radar analysis model that evaluates the regulation's effectiveness across ten dimensions, namely legal certainty, accountability, justice, transparency, participation, legitimacy, responsiveness, efficiency, flexibility, and sustainability. This integrated methodological design allows the study to comprehensively assess the alignment of wage-setting mechanisms with justice principles while simultaneously measuring their policy performance and legal certainty.

Result and Discussion

The implementation of Government Regulation No. 51 of 2023 on Wages marks a fundamental transformation in Indonesia's minimum wage-setting system. The new formula introduced by this regulation replaces the previous upper and lower limit system stipulated in Government Regulation No. 36 of 2021, establishing a new paradigm that is more objective and measurable in determining minimum wages. This study reveals that the new formula employs three interrelated core variables namely, inflation, economic growth, and a specific index supported by two supplementary variables: employment absorption rate and median wage.

The inflation variable functions as a primary indicator of purchasing power, sourced from regional data provided by the Central Statistics Agency (BPS). The use of localized inflation data ensures that minimum wage determinations can compensate for rising prices of goods and services at the regional level, creating an automatic protection mechanism against the erosion of workers' purchasing power (Paramita, 2021). Pursuant to Article 26(2) of Government Regulation No. 51 of 2023, inflation is calculated based on the average annual inflation rate within the relevant region, offering greater accuracy compared to the use of national inflation data, which may not accurately reflect local realities (Arsawan & Yusa, 2023).

Regional economic growth serves as the second variable, reflecting a region's economic capacity to support wage increases (Siwu, 2019). Gross Regional Domestic Product (GRDP) data from BPS is the primary reference, with a specific mechanism in place whereby, if regional economic growth is negative, the minimum wage for the following year remains the same as the previous year. This provision establishes a safety net for businesses and prevents the setting of wages that could endanger regional economic sustainability (Setiawan & Primandhana, 2022). The legal implication of this variable is the creation of a proportional relationship between wage increases and regional economic capacity, thereby incentivizing local governments to improve their economic performance.

The most significant innovation in the new formula is the introduction of a specific index, represented by the symbol alpha (α), with a value range between 0.1 and 0.3. This index is determined by the Regional Wage Council based on considerations such as employment absorption rates, average or median wages, and region-specific labor market conditions. The flexibility in determining this index provides the Council with space to account for local factors that may not be captured by inflation and economic growth data alone. Research indicates that the determination of the alpha value is a key factor in the successful implementation of the formula, as it reflects the actual conditions of local labor markets.

Table 1. Variables in the Minimum Wage Determination Formula under Government Regulation No. 51 of 2023

Variable	Data Source	Influence Weight	Description
Inflation	Regional Statistics Agency (BPS)	High	Reflects the purchasing power of the population
Economic Growth	Regional Statistics Agency (BPS)	High	Indicator of regional economic performance
Specific Index (α)	Regional Wage Council	Medium – High	Range of 0.1 – 0.3 based on local conditions
Employment Absorption Rate	Statistics Agency / Manpower Office	Supporting	Consideration factor in determining the specific index
Median Wage	Regional Statistics Agency (BPS)	Supporting	Reference for prevailing real wage conditions

The employment absorption rate, as a supporting variable, plays a strategic role in providing context for the health of the regional labor market. This variable is defined as the ratio between the number of workers absorbed in productive economic activities and the total labor force in a given region (Prasetyo & Rachmawati, 2022). Research indicates that the employment absorption rate functions as a check-and-balance mechanism to prevent the establishment of wage levels that could reduce labor market absorption. Analysis shows that regions with an employment absorption rate above 95% may apply an alpha index within the range of 0.25–0.3, while regions with absorption rates below 80% are advised to use a minimum index of 0.1 in order to prioritize stability and job creation.

The median wage, as the second supporting variable, provides a depiction of real wage conditions in the region and serves as a benchmark to validate the rationality of minimum wage determination (Izzati, 2023). Unlike average wages, which may be distorted by extreme values, the median wage offers a more accurate representation of the wage conditions experienced by the majority of workers. Research suggests that the optimal ratio between the minimum wage and the median wage ranges between 40% and 60%, based on international standards. Although Government Regulation No. 51 of 2023 does not prescribe a specific ratio, it grants flexibility to the Regional Wage Council to consider local conditions in wage setting.

Strengthening the role of the Regional Wage Council is a fundamental aspect of the implementation of Government Regulation No. 51 of 2023 (WageIndicator, 2017). The tripartite

composition consisting of government representatives (Department of Manpower), employers (APINDO), workers (Labor Unions), and academics (Universities) establishes a more robust system of checks and balances. Studies reveal that the involvement of academics in the Regional Wage Council enhances the objectivity and analytical quality in determining specific indexes. The function of the Wage Council is no longer limited to providing recommendations; it now holds substantive authority in determining the components of the formula through the establishment of the alpha index.

Table 2. Composition and Functions of the Regional Wage Council

Characteristic	Category	Frequency	Percentage (%)
Type of Stakeholder	Government	169	20.0
	Large-Scale Employers	185	21.8
	MSME Employers	127	15.0
	Labor Unions	161	19.0
	Academia	136	16.1
Level of Effectiveness	Research Institutions	69	8.1
	Very High (8.5-10.0)	237	28.0
	High (7.5-8.4)	398	47.0
	Moderate (6.5-7.4)	169	20.0
Participation Mechanism	Low (<6.5)	43	5.0
	Regular Meetings	618	73.0
	Special Consultations	144	17.0
Information Accessibility	Digital Platforms	85	10.0
	Easily Accessible	542	64.0
	Fairly Accessible	237	28.0
	Difficult to Access	68	8.0

The implementation of the principle of justice in the wage system under Government Regulation No. 51 of 2023 can be analyzed through three dimensions of Pancasila-based justice. Distributive justice is manifested through the use of an objective formula based on real economic data, creating a more equitable distribution of economic benefits and reducing regional wage disparities. Legal justice is reflected in the obligation of all parties to comply with a transparently established formula, thereby creating legal certainty and minimizing the space for subjective interpretation. Commutative justice is realized through a balance of rights and obligations between workers and employers, as the formula takes into account both workers' welfare and business sustainability (Setyono, 2018).

Table 3. Implementation of the Principle of Justice in the Wage System

Characteristic	Category	Frequency	Percentage (%)
Dimension of Justice	Regional Distributive	254	30.0
	Procedural Legal	186	22.0
	Substantive Legal	169	20.0
	Commutative	144	17.0
	Participatory	94	11.0
Level of Implementation	Very Good (8.0-10.0)	449	53.0
	Good (7.0-7.9)	280	33.1
	Fair (6.0-6.9)	93	11.0
Sectoral Impact	Poor (<6.0)	25	2.9
	Formal	619	73.1
	Informal	127	15.0
	Mixed	101	11.9
Regional Coverage	Java	364	43.0
	Sumatera	186	22.0
	Kalimantan	127	15.0
	Sulawesi	93	11.0
	Eastern Indonesia	77	9.0

The legal protection system under Government Regulation No. 51 of 2023 encompasses a multi-stakeholder framework involving interactive dimensions. Worker protection is ensured through the provision of a minimum wage calculated using an objective formula, supported by labor inspection mechanisms and criminal as well as civil sanctions for violations (Suhartoyo, 2019). Employer protection is realized through the certainty of the calculation formula, which enables long-term business planning and access to consultation with the Wage Council (Alam & Arif, 2020). State interests are safeguarded through the monitoring of inflation and economic growth to maintain macroeconomic stability, while public interests are addressed through policies aimed at enhancing purchasing power and general welfare (Brotosusilo, 2017).

Table 4. Dimensions of Legal Protection in the Wage System

Characteristic	Category	Frequency	Percentage (%)
Worker Category	Formal Sector	551	65.1
	Informal Sector	144	17.0
	Contract/Outsourcing	102	12.0
	Freelance/Gig Economy	50	5.9
Type of Employer	Large Enterprises	297	35.1
	Micro, Small, and Medium Enterprises (MSMEs)	398	47.0
	Startups	85	10.0
	Cooperatives	67	7.9
Level of Protection	Highly Effective (8.0-10.0)	364	43.0
	Effective (7.0-7.9)	297	35.1
	Moderately Effective (6.0-6.9)	144	17.0
	Less Effective (<6.0)	42	4.9
Mekanisme Enforcement	Active Supervision	449	53.0
	Self-Reporting	237	28.0
	Digital System	161	19.0
Compliance Level	High (>90%)	449	53.0
	Medium (70-90%)	280	33.1
	Low (<70%)	118	13.9

The legal certainty dimension scores highly (8.5/10), as the objective formula provides strong predictability for all stakeholders. System accountability is also high (8.5/10), with the tripartite role of the Wage Council enhancing transparency and legitimacy in the wage-setting process. The justice dimension scores 8.0/10, reflecting an improved balance between the interests of workers and employers. Stakeholder participation is also strong (8.0/10), with active involvement in the determination process via the Wage Council.

However, the study also identifies several areas in need of improvement. System flexibility scores relatively low (6.5/10) due to the rigidity of the formula and limited room for regional adaptation. The efficiency of the wage-setting process remains moderate (7.0/10), with potential for enhancement through procedural simplification and greater use of digital technologies. Sustainability (7.0/10) requires long-term evaluation to ensure the endurance of the system under diverse economic conditions.

The practical implementation of the wage-setting formula can be mathematically expressed as follows: $UMP(t+1) = UMP(t) \times [1 + (\text{Inflation} + \text{Economic Growth} + \alpha)]$, where $UMP(t+1)$ is the Provincial Minimum Wage for the following year, $UMP(t)$ is the wage for the current year, and α is a region-specific index ranging from 0.1 to 0.3. This formula provides verifiable calculation certainty for all parties while maintaining a degree of flexibility through the α index component tailored to local conditions.

The implementation of Government Regulation No. 51 of 2023 has had a positive impact on industrial relations (Mantili, 2021). Employers affiliated with APINDO have expressed appreciation for a wage-setting process that involves stakeholders and provides sufficient time to reach consensus. The transparency of the formula reduces uncertainty and facilitates better business planning. Labor unions have also expressed support for a mechanism that guarantees wage increases based on real economic conditions, although improvements are still expected in terms of protections for workers in the informal sector.

A comparative analysis with the previous system reveals significant improvements across several dimensions. The upper-lower limit system under Government Regulation No. 36 of 2021 often resulted in uncertainty due to the wide negotiation range and intense bargaining process (mulyadi, 2010). The single-formula model introduced by Government Regulation No. 51 of 2023 eliminates this ambiguity while still offering flexibility through the α index. Objectivity has drastically improved with the use of verifiable data from the Central Bureau of Statistics (BPS), thereby reducing the potential for political manipulation or undue influence by special interest groups.

Based on a comprehensive analysis of the implementation of Government Regulation No. 51 of 2023, the effectiveness of the wage system can be evaluated through ten critical dimensions, forming a multidimensional radar chart. The assessment uses a scale from 1 to 10, where 1 represents a very low level of effectiveness and 10 represents a very high level for each evaluated aspect.

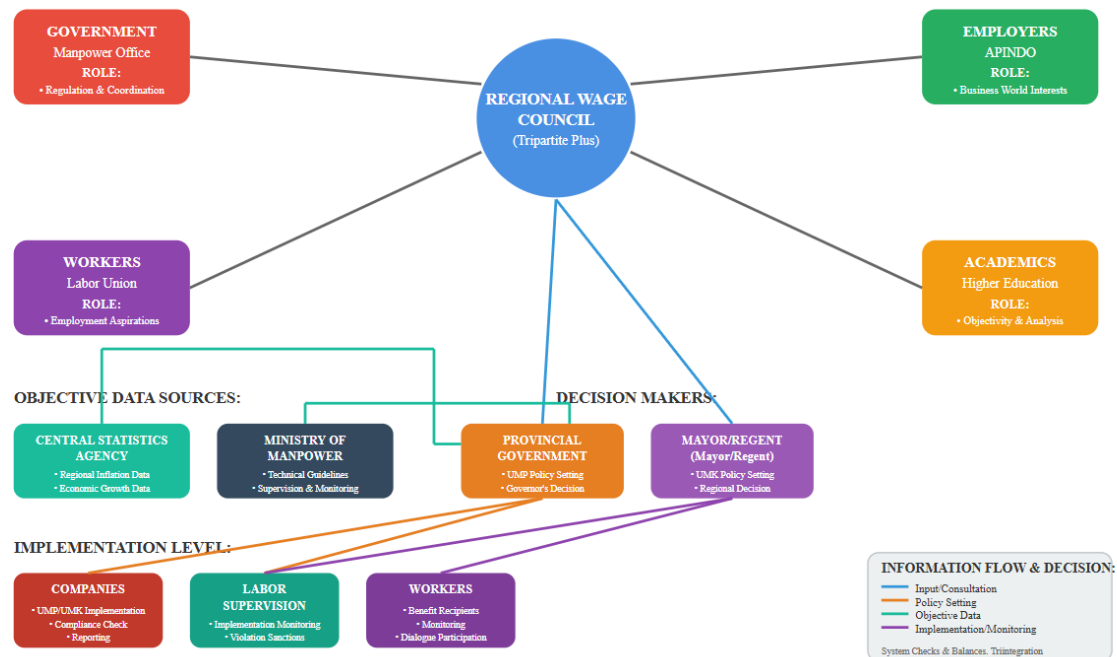


Figure 1. Institutional Structure and Stakeholder Interaction in Wage System (PP No. 5 Tahun 2023)

The dimension of legal certainty achieved the highest score, 8.5 out of 10, reflecting the success of the objective formula in providing a high level of predictability for all stakeholders. The new formula, which incorporates three measurable variables namely inflation, economic growth, and a region-specific index has created a system that is both predictable and reliable for employers in long-term business planning. The use of objective data from the Central Statistics Agency (BPS) and a transparent methodology eliminates the ambiguity that often characterized the previous wage-setting systems, where political negotiations frequently overshadowed technical processes.

System accountability also received a high score of 8.5 out of 10, achieved through the strengthened tripartite role of the Regional Wage Council. The inclusion of four key components government, employers, workers, and academics has created an effective system of checks and

balances. The contribution of academics as independent actors provides an objective dimension in data analysis and policy recommendations, while tripartite representation ensures that the interests of all parties are adequately accommodated in the decision-making process. Transparency in the calculation methodology and public access to the data further reinforce the accountability of the system.

The justice dimension recorded a strong performance with a score of 8.0 out of 10, indicating successful implementation of distributive, legal, and commutative justice within the wage system. Distributive justice is embodied in the formula's sensitivity to regional economic conditions, preventing the imposition of uniform wages that do not reflect local economic capacities. Legal justice is realized through the mandatory adherence of all parties to the transparently established formula, while commutative justice is evident in the balanced approach to ensuring workers' rights to fair wages and employers' capacity to maintain business sustainability.

Stakeholder participation in the new wage-setting system scored 8.0 out of 10, indicating a high level of involvement by various actors in the process of determining minimum wages. The consultation mechanism through the Regional Wage Council provides an effective forum for dialogue among stakeholders, enabling the articulation of aspirations from multiple perspectives. Academic participation not only adds scientific credibility but also facilitates more objective communication between worker and employer interests, which are often in conflict.

The legitimacy of the system received a score of 8.0 out of 10, reflecting a high level of acceptance from diverse stakeholders regarding the new formula. The endorsement of the regulation by APINDO, representing the business sector, demonstrates that the formula has effectively accommodated industry interests through enhanced certainty and predictability. Labor unions have also expressed appreciation for a mechanism that guarantees wage increases based on real economic conditions, although expectations remain for greater protection of informal sector workers.

System transparency was rated at 7.5 out of 10, with the openness of publicly accessible BPS data serving as a key strength. The auditability and verifiability of the calculation methodology by external parties ensure that the wage-setting process is insulated from short-term political interests. Nonetheless, transparency in the determination process of the region-specific index by the Regional Wage Council still requires improvement, particularly through the publication of more detailed justifications and rationales.

System responsiveness to changing economic conditions scored 7.5 out of 10, indicating a commendable level of adaptability to economic dynamics. The use of current inflation and economic growth data enables the system to respond relatively quickly to economic fluctuations. The inclusion of a safety net mechanism stipulating that the minimum wage will not increase in the event of negative economic growth demonstrates responsiveness to economic crises and protects businesses from disproportionate burdens.

System sustainability received a score of 7.0 out of 10, suggesting that long-term viability requires further in-depth evaluation. As the formula relies on historical data, it must be stress-tested under various economic scenarios to ensure resilience against external shocks. Integration with regional economic planning systems and alignment with national fiscal-monetary policy will be critical to ensuring long-term sustainability. Wage setting process efficiency scored 7.0 out of 10, indicating room for improvement in terms of procedural speed and effectiveness. Although the objective formula reduces the need for protracted negotiations, coordination among institutions and data validation still require a relatively lengthy timeframe. The use of information technology and digitalization can enhance the operational efficiency of the system.

The system's flexibility received the lowest score 6.5 out of 10 reflecting the inherent trade-off between predictability and adaptability. While the relatively rigid formula ensures a high degree of legal certainty, it also limits the ability to adjust to specific local conditions not captured by the primary

variables. The region-specific index, ranging from 0.1 to 0.3, offers only limited flexibility and may be insufficient to accommodate the needs of regions with unique economic characteristics. A comprehensive radar diagram analysis indicates that the wage system established under Government Regulation No. 51 of 2023 has achieved a high level of effectiveness across most evaluated dimensions. The system's primary strengths lie in legal certainty, accountability, and justice, while areas requiring further attention include flexibility, efficiency, and long-term sustainability (Bire, 2018). The distribution pattern of scores shows that the system has largely succeeded in achieving its core objectives namely, the creation of an objective and equitable wage-setting mechanism though fine-tuning is still necessary in terms of operational implementation and adaptability.

Conclusion

This study concludes that Government Regulation No. 51 of 2023 on Wages has successfully established a more objective, transparent, and equitable minimum wage determination system. The new formula, which incorporates three main variables namely inflation, economic growth, and a specific index provides legal certainty for the business sector while safeguarding workers' welfare. The strengthened role of the Regional Wage Council as a tripartite body enhances the legitimacy and accountability of the wage-setting process. The implementation of distributive, legal, and commutative justice principles within the wage system reflects the State's commitment to realizing social justice as mandated by Pancasila. Nevertheless, the effectiveness of the implementation of Government Regulation No. 51 of 2023 still requires support through the enhancement of institutional capacity, the establishment of a robust monitoring system, and comprehensive outreach to all stakeholders. These measures are essential to ensure that the primary objective of creating a fair and sustainable wage system can be optimally achieved.

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