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A Comparative Analysis of Wage Policies for Workers in Indonesia and Australia: Their Impact on Worker Welfare

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Abstract

This study presents a comparative analysis of wage policies in Indonesia and Australia, focusing on their impact on worker welfare. Wages, as compensation for labor, are a crucial component of ensuring a decent standard of living. Using a comparative approach, this research explores how economic, social, and institutional factors shape wage policies in both countries. The findings show that Indonesia, as a developing country, faces challenges in setting minimum wages, which are often influenced by the needs of industrial growth and investment. In contrast, Australia's well-established wage policies and strong labor protections significantly enhance workers' socio-economic welfare. These insights provide valuable guidance for Indonesian policymakers to develop more equitable and sustainable wage policies.

Keywords: Wage policy, labor wages, Indonesia, Australia, worker welfare, minimum wage

INTRODUCTION

According to the National Wage Research Council, wages are defined as the amount of money stated or assessed in accordance with agreements, laws, and regulations, and paid based on an employment agreement between the employer and employee (JDIH, 2021). Wages are receipts as compensation from the employer to the recipient of work for a job or service that has been and will be done, functioning as a guarantee of a decent life for humanity and production (Ruky, 2001). Labor wages are one of the key indicators in assessing the economic capacity of a country, especially related to the level of community welfare. Getting a decent wage is a right for workers because from this salary workers can meet the needs of their lives and their families to realize their welfare. This is in line with the laws in Indonesia itself which read as follows. Article 27 paragraph (2) of the 1945 Constitution of the Republic of Indonesia states that "every citizen has the right to work and a decent living for humanity" and

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Article 28D paragraph (2) of the 1945 Constitution "Everyone has the right to work and receive fair and decent compensation and treatment in employment relations" (Wulandari et al., 2019). Indonesia faces difficulties in determining minimum wages because this issue is often influenced by the need for foreign investment, industrial expansion, and initiatives to reduce unemployment rates (Wulandari et al., 2019). On the other hand, Australia is a developed country with a more organized and comprehensive wage policy that is well balanced by a strong worker protection system. This gap in social and economic conditions directly affects how the two countries set wage policies for their workforce. Minimum wage laws in these two countries are one of the key elements that differentiate their compensation systems. Then "What is the impact of the differences in labor wage policies between the two countries on labor welfare and economic stability?" In Indonesia, minimum wages are regulated by a decentralization policy that gives local governments the power to set minimum wages for certain areas (Ihsanuddin, 2023). In Australia, the national labor commission determines minimum wages more fairly at the national level, taking into account variables such as inflation, productivity levels, and the alignment between worker welfare and stable economic conditions. The Fair Work Act (2009) sets a national minimum wage and regulates the protection of workers' rights, giving Australia a more structured wage system (Attorney-General's Department, 2022). This can be a benchmark for researchers to measure how effective the Indonesian and Australian governments are in implementing minimum wages for workers. The application of wages serves as an instrument to ensure that workers receive sufficient compensation to meet their basic needs. This is in line with the views expressed by the Labor Organization.

International Labour Organization (ILO), which states that minimum wages should be set at a level that covers the needs of workers and their families, taking into account economic factors. This study can explore how Indonesia and Australia regulate wage policies to ensure that their workers can meet their living needs. By understanding the differences in the approaches of the two countries, researchers can measure the effectiveness of these policies in ensuring worker welfare (International Labour Organization, 2015). In this study, we use comparative descriptive research to compare how wages in Indonesia and Australia affect socio-economic welfare. Using comparative analysis methods, data are analyzed to determine the similarities and differences in minimum wage regulations, labor protection measures, and

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worker welfare. Descriptive analysis is used to describe the policies in each country. Furthermore, this study examines how policies affect worker welfare by utilizing metrics including poverty rates, income inequality, and accessibility to social services such as health care and education. The data we use are based on books, scientific publications, and academic journals that examine the issue of labor welfare and wages in accordance with social science research guidelines. In an effort to comprehensively analyze the differences in wage policies between Indonesia and Australia, this study uses a comparative framework that includes several key indicators relevant to labor welfare and the effectiveness of labor policies. These indicators include: (1) minimum wage standards, which reflect the basic value of income guaranteed by the state to workers; (2) wage setting mechanisms, namely the processes and institutions involved in determining the minimum wage value; (3) legal protection systems for workers, which include basic worker rights, such as the right to severance pay, leave, and protection from termination of employment (PHK); (4) working hours, as an important parameter in ensuring a balance between productivity and the physical and mental health of workers; and (5) welfare benefits, which include access to social security, health insurance, and pension programs. This framework refers to the comparative labor policy approach developed by industrial relations experts such as Richard Freeman and James Medoff, who state that comparisons of labor policies need to consider not only economic aspects but also institutional and social dimensions that underlie the labor system in a country (Freeman James L., 1984). As stated by the International Labour Organization (ILO), a good wage policy must consider "the needs of workers and their families for a decent living, productivity, the ability of companies to pay, and the needs of national economic development (International Labour Organization, 2016)." Therefore, the use of multidimensional indicators in this study aims to describe the policy structure more comprehensively, not only in terms of nominal wages, but also in terms of sustainability and its impact on workers' welfare in the long term. The selection of this indicator is also reinforced by the thoughts of Piergiorgio Corbetta in his book Social Research: Theory, Methods and Techniques, which emphasizes the importance of a diversity of indicators in comparative studies of public policy so that the results of the analysis are reflective of the complexity of social reality. With this comparative framework, it is hoped that this study will be able to produce a richer picture of the factors that differentiate the wage systems in Indonesia and Australia and present practical implications for policy makers in Indonesia to carry out reforms based on the principles of justice and socio-economic efficiency.

RESEARCH METHOD

In this research article, the author uses an explanatory qualitative research method approach which allows to discuss the reasons why there are differences in Labor Wage Policies in Indonesia and Australia and their implications for the social and economic lives of the people of the two countries and identify similarities and differences, and evaluate the impact of policies in both countries on workers' welfare. Because this research uses a literature study, there is no primary data in this study, but the author takes secondary data sources from the official websites of the government and ministries that regulate wages or salaries of workers in both countries in the form of official documents containing laws that have been passed such as the Manpower Act (Law No. 13 of 2003) and several Government Regulations (PP) on Wages. And for Australia, the author takes data from the Fair Work Act 2009, reports from the Fair Work Commission. Then as other supporting data, the author takes and analyzes data in the form of articles, journals, and theses that discuss or study similar topics. In this case, referring to the book written by a figure named Corbetta entitled "Social Research, Theory, Method, Thecniques" which explains several types of documents that can be used as reference sources in social research, including types of public documents from government agencies such as political documents (Corbetta, 2003).

Using the comparative analysis method, data was collected then studied and analyzed to determine the similarities and differences in minimum wage regulations, labor protection measures, and labor welfare. Descriptive analysis is used to describe policies in each country. Furthermore, this study examines how policies affect worker welfare by utilizing metrics including poverty rates, income disparities, and accessibility to social services such as health care and education.

Using this method, this study is expected to offer comprehensive insights into the variation in wage policies between Australia and Indonesia and their impact on worker welfare in both countries. The findings of this analysis will form the basis for suggestions made for the creation of fairer and more successful wage laws in Indonesia.

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RESULT AND DISCUSSION

Wage policy is set without public oversight or knowledge This policy is referred to as wage suppression. This policy aims to suppress wages and costs in order to increase economic profits (Fehring T., 1995). Through the absence of a proper minimum wage policy. The government is formalized through the promise of prosperity resulting from economic growth in GDP (Gross Domestic Product) and the stability of the political order (Tjandra, 2016). Wage policy is an effective instrument to enable authoritarian developmentalist governments to control labor in the interests of economic development. The government is not in a neutral position in this situation, but controls almost all aspects of wage policy (Buana R., 2022). According to the 2019 Global Competitiveness Index. World Economic Forum (WEF), problems related to Indonesia's monetary and fiscal systems in the labor market are still recognized as problems. This is what needs to be fixed. The government through the Job Creation Law (Omnibus Law) which was passed by the DPR on October 5, 2020. Despite efforts, this law has faced significant opposition. Issues of rejection of the Job Creation Law by workers include: (a). The severance pay value of 32 months' wages becomes 25 months' wages and the Job Loss Guarantee (JKP) is borne by the workers themselves, (b). Lifetime outsourcing of workers without limits on the types of work that can be outsourced, which means that their pension and health insurance will be lost, (c). In addition, long working hours and rights such as leave and wages for leave that has been abolished, along with lifetime contracts without a time limit, (d). As well as the elimination of conditional UMK and sectoral UMK, all are issues that are the cause of rejection of the Job Creation Law. Government Regulation (PP) No. 36 concerning Wages in the Job Creation Law triggered workers to hold demonstrations (Anwar, 2021). This happened because the regulation has a significant strategic impact on society, especially for workers. The demands of workers regarding wages include:

1. In response to the Governor's Regulation on the Provincial Minimum Wage (UMP), workers in Indonesia asked all Governors to review it because it is not in line with the Constitutional Court's decision No. 7, which holds back several important steps, including the wage issue. The UMP increased by 10 percent from 2021. They are also reluctant to set upper and lower limits because they reduced the minimum wage by 50 percent.
2. Workers ask the central government to revoke Government Regulation (PP) Number 36 of 2021 Government.

3. Workers write to the Constitutional Court to request a difference in interpretation of the Constitutional Court's decision on the Job Creation Law Number 11 of 2020 so that it is not multi-interpretable.

Minimum Wage Structure in Indonesia through Comparison of Wages of the Employment Law and the Job Creation Law

In the 10th Plenary Meeting of the DPR, Monday (May 10, 2020), it was decided to ratify the Job Creation Law. The Job Creation Law was drafted using Omnibus Law Number and replaces 1,203 articles from 76 laws, including the Manpower Law Number 13 of 2003. Contains several materials related to labor laws such as minimum wages, outsourcing, 4,444 foreign workers (TKA), and PHK (Termination of Employment). Employment (PHK) and working hours were changed in the Law on Job Creation. The provisions regarding labor groups in the Job Creation Law are considered detrimental to workers' rights. Manpower Law Number 13 of 2003. A comparison of wages based on the Manpower Law and Job Creation can be seen in Table 1 below.

Table 1. Comparison of Wages Based on Employment Law and Job Creation

Indicator	Employment Law/ PP 78 of 2015	UU Cipta Kerja /PP 36 of 2021
Wage Basis	All workers have the right to earn income to live a decent life. wage policy to protect workers' rights.	Every laborer/worker has the right to a decent living. Wage policy is an effort to achieve the rights of workers and workers
Wage Calculation	Based on sector and region. Comparable to elements of decent living needs.	Wages are determined by results and time domains. Wages per result are wage provisions based on time units, such as daily, weekly, or monthly. Or setting wages based on agreed work results.
Minimum Wage	Minimum wages are decided at the Provincial, Regency/Municipality, and Sectoral levels by the Governor, with recommendations from the Wage Council and the Regent/Mayor. Based on productivity and economic growth.	Eliminate minimum wages from the district/city sector.
Wage Structure	Adjust according to job category, time period, education level, and skills.	Governors are appointed. Based on economic conditions (PDRB and Inflation) and Employment.
Severance Pay	Given at least according to work period	Looking at company capabilities and productivity. Delivered according to working hours.
Overtime Pay	Maximum three working days per week, and get to work for 14 hours per day. Holidays 2-4x hourly wages	Maximum of four hours a day and eight per week are allowed

Source: Gunarto & Maulana, 2020.

The government provides information in the field of wages. This information includes wage structures and scales, wage components, and wage surveys. The government also applies wage structures and scales in companies and applies performance-based wages. In

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line with that, it must be ensured that all positions have the Indonesian National Work Competency Standards (SKKNI). And have been certified for existing positions. The relevant Directorate General together with the Wage Council formulate a policy concept for the implementation of productivity and competency-based wages and conduct a study on the implementation of wages based on productivity and competency. The government conducts wage surveys and wage component studies, and prepares human resources in order to optimize public services (Gimbar, 2020). Since January 2001, provincial governors have taken over the responsibility for setting regional minimum wages. This is done on the recommendation of the regent or mayor. The Central Government has not taken over control of the regulatory framework. This includes the issuance of consumption basket guidelines, where the basic needs of wage workers' families are assessed. As in many other countries, the policy has many objectives. In addition to efforts to raise the standard of living of workers who are paid below acceptable national standards, in Indonesia there is strong pressure to set minimum wages for workers who do not have effective negotiating power with employers, due to the weakness of trade unions and the low number of unskilled workers.

Minimum wage levels in Indonesia in 2023

Since January 2001 onwards, provincial governors have been given the responsibility to set minimum wages in the regions, with the help of recommendations from the regents or mayors. However, the central government remains responsible for implementing the regulatory framework. These guidelines, called the consumption basket, are designed to serve the needs of better-income families. As in many other countries, the policy has multiple objectives. In addition to efforts to improve the living standards of workers who are considered to be below acceptable national levels, there is also strong pressure in Indonesia to set a minimum wage floor for those who do not have the ability to negotiate wages effectively with employers, due to substandard unions and a large number of unskilled workers (Bird C., 2008). Every year, the minimum wage will increase in each region. However, the minimum wage increase will not exceed 10%. In 2023, the minimum wage will be set by taking into account economic growth, inflation, and special indicators. The calculation of this increase is also expected to be a meeting point between employers and workers. In the list of Provincial Minimum Wages (UMP) in 2023 (Wahyuni, 2022). Table 2 shows the following list of Provincial Minimum Wages (UMP) 2023.

The calculation of this increase is also expected to be a meeting point between employers and workers/laborers. The 2023 UMP shows that DKI Jakarta Province has the highest UM, as seen in table 4. 901,798, an increase of around 5.6% from the previous year. The province with the lowest UMP is Central Java Province at IDR 1,958,670, which is an increase of 7.885 from the previous year (Wahyuni, 2022).

Table 2. Provincial Minimum Wage Table

Province	**Amount**	**Province**	**Amount**
DKI Jakarta	Rp. 4,901.798	Sulawesi Barat	Rp. 2.871.794
Papua	Rp. 3.864.696	Maluku	Rp. 2.812.827
Bangka Belitung	Rp. 3.498.479	Sulawesi Tenggara	Rp. 2.758.948
Sulawesi Utara	Rp. 3.485.000	Sumatera Barat	Rp. 2.742.476
Aceh	Rp. 3.412.666	Bali	Rp. 2.713.672
Sumatera Selatan	Rp. 3.404.177	Sumatera Utara	Rp. 2.710.493
Papua Barat	Rp. 3.282.000	Lampung	Rp. 2.633.284
Kepulauan Riau	Rp. 3.279.194	Kalimantan Barat	Rp. 2.608.601
Kalimantan Utara	Rp. 3.251.702	Sulawesi Tengah	Rp. 2.599.546
Kalimantan Timur	Rp. 3.201.396	Bengkulu	Rp. 2.400.000
Riau	Rp. 3.191.662	Nusa Tenggara Barat	Rp. 2.371.407
Kalimantan Tengah	Rp. 3.181.013	Nusa Tenggara Timur	Rp. 2.123.994
Kalimantan Selatan	Rp. 3.149.977	Jawa Timur	Rp. 2.040.244
Gorontal	Rp. 2.989.350	Jawa Barat	Rp. 1.986.670
Maluku Utara	Rp. 2.976.720	DI Yogyakarta	Rp. 1.981.782
Jambi	Rp. 2.943.000	Jawa Tengah	Rp. 1.958.169

Source: Hukumonline Infographics (2022)

Wage Policy in Australia

Australia is one of the developed countries. Almost all of its population works in the service sector, which absorbs 75% of the workforce. Australia also has an economic growth of 2.8% supported by the agricultural, industrial, and service sectors. This country has a population of around 25 million, with 2 million companies. The wage setting policy in Australia is determined by the Fair Work Commission (FWC) which will come into effect on July 1 each year. The Fair Work Commission (FWC) Expert Panel evaluates the minimum wage received by employees in their employment relationship system each year. The study considers written submissions from organizations and individuals who are interested in consulting before the Expert Panel assigned by the Expert Panel. In determining the minimum wage in Australia, there is a special panel team that conducts a study to determine the minimum wage value. The panel team consists of 7 (seven) experts. 4 (four) people come from the Fair Work Commission

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(including the FWC chairman) and 3 (three) people come from Experts and academics. Meanwhile, there are seven people sitting on the Expert Panel. They consist of a President, three permanent members, and three part-time members. They are highly skilled in the fields of labor relations, economics, social policy, and trade. The Fair Work Act mandates that the Expert Panel must publish all written submissions from interested individuals or organizations. The Expert Panel provides comments on the submissions. The Act also requires that research conducted by the Expert Panel be published, so that transparency is guaranteed and submissions based on the results of the research are made possible. After that, the special panel team will make a decision after consulting and listening to opinions from industry/business actors, trade unions, community leaders, and relevant government agencies (Square, 2024).

Minimum wage levels in Australia from 2007 - 2024

Table 3. minimum wage data in Australia

Start date	Per hour	Per 38 hours a week
1 October 2007	$13.74	$522.12
1 October 2008	$14.31	$14.31
1 October 2009	$14.31	$14.31
1 October 2010	$15.00	$569.90
1 October 2011	$15.51	$589.30
1 October 2012	$15.96	$606.40
1 October 2013	$16.37	$622.20
1 October 2014	$16.87	$640.90
1 October 2015	$17.29	$656.90
1 October 2016	$17.70	$672.70
1 October 2017	$18.29	$694.90
1 October 2018	$18.49	$719.20
1 October 2019	$19.49	$740.80
1 October 2020	$19.84	$753.80
1 October 2021	$20.33	$772.60
1 October 2022	$21.38	$812.44
1 October 2023	$23.23	$882.80
1 October 2024	$24.10	$915.90

Australia's minimum wage system is designed to provide a safety net for employees, ensuring they are fairly compensated for their work, while also providing flexibility through industry-specific awards. This structured approach helps to balance the needs of employers and the rights of workers in an ever-evolving labour market (Square, 2024). Table 3 show minimum wage data in Australia:

Impact of Wage Policy on Indonesian Workers

The impact of minimum wage policies on workers in Indonesia can be seen from various perspectives. Minimum wage increases benefit workers who are able to maintain their jobs, especially in the formal sector such as factories. Workers with higher skills or those who are categorized as "white" workers usually benefit more from the policy. However, this policy also tends to disadvantage more vulnerable workers, including those who are uneducated or young. These groups are more likely to lose their jobs, especially when economic growth slows. In addition, the impact of minimum wage policies is also felt in the informal sector. Layoffs due to this policy often cause unskilled workers to move to the informal sector, which is a significant part of the workforce in Indonesia, thus affecting their welfare. Minimum wage increases can also reduce workers' motivation to increase productivity, because companies often have difficulty using the salary system as a productivity driver. As a result, overall productivity can decline. In conditions of low economic growth, such as that experienced in Indonesia in 2000–2001, minimum wage increases can have negative impacts, especially for vulnerable groups. However, in a situation of good economic growth, these negative effects may be reduced due to naturally occurring wage increases and more job opportunities available. Overall, minimum wage policies in Indonesia have had mixed impacts, providing benefits for some workers, but also facing challenges for more vulnerable groups (Al Araafi et al., 2024).

The Impact of Wage Policy on Australian Workers

The impact of wage policy on the workforce in Australia, particularly the minimum wage increase, can be analyzed from several perspectives. The minimum wage increase is proposed to protect the purchasing power of low-income workers, especially when inflation is rising. For example, the Australian Council of Trade Unions (ACTU) recommended a 7% increase to offset the decline in real incomes experienced by workers in the past two years. While there are concerns that the minimum wage increase could lead to inflation, evidence suggests that the impact is very small. A 1% increase in the minimum wage is estimated to only increase overall prices by 0.06%, which is considered insignificant. On the other hand, some economists and

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business groups argue that significant wage increases can add to inflationary and interest rate pressures. However, this opinion is often not supported by concrete data, because wage increases are not always associated with higher inflation. Furthermore, the proposed minimum wage increase is considered moderate, because it is still below the level needed to restore workers' purchasing power to pre-pandemic levels. This reflects the significant decline in purchasing power experienced by low-income workers. From a business sustainability perspective, many companies in Australia are still making high profits, even amid inflation. Therefore, there is a belief that companies can cope with wage increases without having to drastically raise prices. This suggests that a minimum wage policy can be implemented without harming the economy as a whole, while still providing protection for low-income workers (Schwab, 2019).

Economic and Social Implications in Indonesia

The social and economic implications of the minimum wage policy in Indonesia can be explained as follows:

Social Implication

Minimum wage policies have various effects on workers' welfare, social inequality, the informal sector, and employment dynamics. In terms of welfare, this policy can keep people employed and improve the quality of life of workers, especially in the formal sector, by helping them meet basic needs and improve their quality of life. However, on the other hand, minimum wage policies can exacerbate social inequality, especially for more vulnerable groups of workers such as women, young workers, and individuals with low education. These groups are more likely to lose their jobs due to minimum wage increases, which in turn widens the gap between groups of workers. Another effect is seen in the informal sector, where declining employment in the formal sector often forces unskilled workers to move to the informal sector. Unfortunately, this sector often offers lower wages and poor working conditions, thus worsening the social situation of workers. In addition, minimum wage increases also affect the dynamics of the relationship between workers and employers. Workers may feel more empowered under this policy, but employers may experience pressure to reduce costs, which can have a negative impact on job security. Thus, minimum wage policies provide various benefits as well as challenges that affect various aspects of employment.

Economic Implications

Minimum wage increases have complex effects on the workforce, business productivity, macroeconomic conditions, and regulatory compliance. In terms of labor, minimum wage increases can reduce labor absorption, with the elasticity of worker registration indicating that every 10% increase in the minimum wage has the potential to reduce labor absorption by more than 1%. From a business productivity perspective, high minimum wages tend to reduce workers' motivation to increase productivity, especially in small businesses that find it difficult to pay higher wages, potentially reducing overall productivity in certain sectors. In a macroeconomic context, minimum wage increases when economic growth is low, such as in Indonesia in the early 2000s, can slow economic recovery and hinder long-term growth. Conversely, during times of positive growth, this policy can support overall wage increases and job creation. However, compliance with minimum wage regulations is also problematic, especially for labor-intensive companies that may struggle to comply due to financial pressures. This can trigger labor conflicts and instability in the labor market. Overall, minimum wage policy in Indonesia has complex social and economic impacts. Therefore, this policy requires a careful approach so that it can provide broad benefits to all levels of society without sacrificing other important aspects (Schwab, 2019).

Economic and Social Implications in Australia

The implications of minimum wage policy in Australia significantly affect the economic and social dimensions. Especially related to poverty levels, income inequality and industrial stability.

Economic Implications

Increasing the minimum wage has important implications for a number of things, particularly poverty reduction, income inequality, and concerns about inflation. In the context of poverty reduction, increasing the minimum wage directly supports low-wage workers to meet their basic needs, especially when the cost of living is rising due to inflation. For example, the recent increase to $24.10 per hour in Australia aims to improve the financial situation of more than 2.7 million workers. In addition, increasing the minimum wage helps narrow the income gap between low-wage workers and those on higher incomes. By increasing the

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wages of workers at the bottom, this policy encourages a more equitable distribution of income. Research shows that a 7% increase in the national minimum wage can significantly reduce the decline in real wages experienced by low-wage workers in recent years. While there are concerns that wage increases can cause inflation, research shows that the impact on the overall price level is very small. For example, a 1% increase in the minimum wage is estimated to increase prices by only 0.06%, indicating that businesses can absorb the additional costs without passing them on to consumers. Therefore, higher wages not only help maintain the purchasing power of low-income workers but also do not necessarily cause inflation.

Social Implications

Increasing the minimum wage has several important effects, both for workers and for businesses. From the perspective of workers, increasing the minimum wage improves their quality of life, allowing them to meet basic needs such as food and shelter. This is especially crucial for low-income workers who are vulnerable to rising living costs and economic stress. In addition, higher wages can also increase worker motivation and productivity. Workers who feel valued tend to be more passionate, engaged, and committed to their work. For businesses, this can reduce employee turnover and increase overall productivity. However, increasing the minimum wage also brings challenges, especially for small businesses. Small business owners often face pressure from rising labor costs, which can force them to reduce hiring or even lay off employees. This situation highlights the need for support measures to help small businesses adapt to new wage standards without sacrificing employment. Thus, the minimum wage increase policy requires a balanced approach in order to provide benefits without creating excessive pressure on the business sector (Nurhasanah & Nugroho, 2024).

Comparison of Wage Systems and Employment Protection in Indonesia and Australia

The social and economic conditions underlying wage policies in Indonesia and Australia have quite significant structural differences. In Indonesia, the labor market structure is still dominated by the informal sector, which is a sector that does not have formal employment relationships, legal protection, and adequate social security. Data from the Central Bureau of Statistics (BPS) shows that in February 2024, 59.11% of Indonesian workers worked in the informal sector, which includes workers without permanent contracts, small traders, farm laborers, and home workers (Central Bureau of Statistics, 2024). This is in contrast to the conditions in Australia, where the majority of workers work in the formal sector with a legal contract system and are protected by a strong industrial relations system. According to the Australian Bureau of Statistics (ABS), around 88% of workers in Australia work in formal employment relationships, dominated by the service sector which absorbs more than 75% of the national workforce (Australian Bureau of Statistics, 2024). The labor force participation rate is also an important indicator in understanding the socio-economic context in both countries. In Indonesia, the labor force participation rate in February 2024 was recorded at 69.49%, with the main challenges coming from low female labor force participation, uneven quality of labor force education, and mismatch between skills and industry needs (Australian Bureau of Statistics, 2024). Meanwhile, Australia recorded a labor force participation rate of 66.7% as of March 2024, but with a lower unemployment rate (around 3.8%) compared to Indonesia which is still around 5.45%, indicating a more stable and productive labor market (World Bank, 2024). In terms of labor productivity, the difference is also very striking. According to data from The Conference Board, productivity per hour of work in Australia in 2023 reached USD 63.9, while Indonesia only reached USD 14.8, reflecting a large disparity in work efficiency and use of technology in the workplace (The Conference Board, 2023). This productivity also affects the wage structure, because countries with high productivity tend to have the ability to pay higher minimum wages without significantly burdening employers. In addition, access to social protection such as health insurance, pensions, and work compensation is also much more comprehensive in Australia, where the social security system is managed nationally and integrated through the Social Security Act 1991 and the Fair Work Act 2009 (World Bank, 2024). In Indonesia, although there is a Social Security Employment program from BPJS, its coverage is still limited, especially for informal workers who are not yet included in the formal system and often experience administrative difficulties and lack of financial literacy. These conditions show that the comparison of wage policies cannot be separated from the social and economic background of each country. Policies designed in countries with formal labor market structures and high productivity such as Australia will certainly have different effectiveness and challenges compared to countries like Indonesia which are still trying to build an inclusive and fair employment system amidst the dominance of the informal sector. In addition to the

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minimum wage aspect, workers' welfare in Indonesia and Australia is also greatly influenced by other employment policies that are direct and affect the daily lives of workers. Several important indicators that influence the quality of industrial relations and social protection include maximum working hours, sick and annual leave benefits, access to health insurance, and severance pay mechanisms. In Indonesia, the regulation of working hours refers to Law Number 13 of 2003 concerning Manpower and was updated through the Job Creation Law. Based on this regulation, the maximum working hours are 7 hours per day and 40 hours per week for a 6-day work system, or 8 hours per day for a 5-day work system (Law No. 13 of 2003 concerning Manpower). However, in practice, especially in the informal sector and labor-intensive sectors, many workers exceed the ideal working hours without appropriate overtime compensation. In contrast to Australia, under the Fair Work Act 2009, the maximum working hours set is 38 hours per week, and additional work must be paid as overtime at a special rate according to Modern Awards (Fair Work Ombudsman Australia, 2024). Law enforcement and compliance monitoring in Australia are also carried out more systematically through the Fair Work Ombudsman, making protection against excessive working hours more effective.

Regarding leave benefits, workers in Indonesia have the right to 12 working days of annual leave after working for 12 consecutive months, and sick leave given on the basis of medical conditions as evidenced by a doctor's certificate. However, its implementation is still often problematic, especially in small companies or the informal sector (Ministry of Manpower of the Republic of Indonesia, 2024). In Australia, every worker is entitled to 4 weeks of paid annual leave per year, and 10 days of paid sick leave, which are legal rights that cannot be violated by employers (Government, 2024). In addition, Australia has a Medicare system, a universal health service that provides free or subsidized access to all citizens and permanent residents. On the other hand, Indonesia has a National Health Insurance (JKN) system through BPJS Kesehatan, but the quality of services and participation of informal workers are still serious challenges. In terms of termination of employment, the differences between the two countries are also very clear. Indonesia requires employers to provide severance pay, long-service bonuses, and compensation for workers who are laid off, as regulated in PP No. 35 of 2021. However, the nominal severance pay often changes depending on the reason for the termination of employment and the length of service, and the legal process is often complicated (Government Regulation No. 35 of 2021 concerning PKWT, Outsourcing, Working Hours and Rest Hours, and Termination of Employment). Meanwhile, in Australia, redundancy pay is given according to the length of service and has been clearly regulated in the Fair Work Act 2009, where workers with a length of service of more than 1 year are entitled to payments of between 4 and 16 weeks of salary, depending on the length of service (Fair Work Commission Australia, 2024). Table 4 below summarizes a systematic comparison of these policies:

Table 4. Comparison of Indonesian and Australian Policies

Indicator	Indonesia	Australia
Maximum Working Hours	7 hours/day (6 working days) or 8 hours/day (5 working days), total 40 hours/week	38 hours/week; overtime paid according to Modern Awards
Annual leave	12 working days after 12 months	4 weeks of paid leave per year
Sick leave	Based on doctor's statement; not always paid	10 days of paid sick leave per year
Health Insurance	BPJS Kesehatan (JKN), not yet universal in the informal sector	Medicare (universal), covers consultations, hospital and prescriptions
Severance Pay upon Layoff	Depending on length of service and reason for termination; maximum up to 9 months salary	4–16 weeks salary according to length of service and statutory scheme

CONCLUSION

Based on the comparison of wage policies between Indonesia and Australia, it can be concluded that although both have formal legal frameworks related to labor protection, Australia shows higher effectiveness in ensuring worker welfare through a structured, transparent, and data-based system. Australia's approach that combines protection of labor rights, legal certainty, and flexibility for business actors has proven to be able to create better socio-economic stability compared to Indonesia. This is inseparable from the role of independent institutions such as the Fair Work Commission, which consistently sets minimum wages based on studies of inflation, productivity, and social consultation with related parties. In contrast, Indonesia still faces serious challenges, especially in terms of decentralization of wage policies, weak social protection for informal workers, and low participation of tripartite institutions in wage decision-making at the local level. Therefore, this study recommends several strategic policies that can be considered by the Indonesian government in designing national wage system reforms. First, the Indonesian government needs to establish an independent wage institution at the national level—similar to the Fair Work Commission in Australia—which is tasked with setting minimum wages based on objective analysis of macroeconomic conditions and decent living needs. This institution should involve tripartite elements in a balanced manner (government, employers, and trade unions), and have the authority to intervene when wage inequality occurs in the regions. Second, wage standards must be transformed from an administrative area-based approach to a sector-based approach and work productivity, as implemented in the Modern Awards System in Australia. With a sectoral approach, workers in high-value sectors such as technology, banking, and energy will have different wage standards compared to labor-intensive sectors, allowing wages to be adjusted to industry capacity without harming workers. Third, the government needs to strengthen social protection for informal workers, who make up more than 59% of Indonesia's total workforce. Programs such as BPJS Ketenagakerjaan and BPJS Kesehatan must be optimized with incentive strategies, simplified registration, and digital education to be more inclusive. In the long term, the government also needs to develop a legal framework that regulates flexible work contracts while still protecting the minimum rights of informal workers. By implementing these policies, Indonesia can build a wage system that is fairer, more adaptive, and more sustainable. This reform is crucial not only to increase people's purchasing power, but also to create stability in industrial relations, strengthen domestic markets, and support inclusive national economic growth.

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