

## Foreign Worker Governance in Indonesia: Institutional Challenges and Strategic Reform Pathways

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### ARTICLE INFORMATION

#### Publication information

#### Research article

#### HOW TO CITE

Zhuxi, Z., & Waworuntu, S. R. (2026). Foreign worker governance in Indonesia: Institutional challenges and strategic reform optimization pathways of Indonesia's pathways. *International Journal of Accounting and Finance in Asia Pacific*, 8(2), 159-180.

#### DOI:

<https://doi.org/10.32535/ijafap.v9i1.4352>

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Received: 15 December 2025

Accepted: 17 January 2026

Published: 20 February 2026

### ABSTRACT

Indonesia's accelerating economic transformation has increased reliance on foreign workers, yet its governance system continues to face persistent institutional and implementation challenges. This study systematically analyzes the evolution, structural dilemmas, and strategic optimization pathways of Indonesia's foreign worker management policy. Using a structured qualitative review grounded in Institutional Theory and Stakeholder Theory, the research synthesizes regulatory frameworks, government statistics, policy reports, and relevant academic literature. Findings reveal a sustained disconnect between regulatory intent and operational practice: although official work permit processing targets 12 working days, actual completion frequently extends to 30–60 days. A discrepancy of approximately 86,000 workers between registered and estimated actual figures indicates significant irregular employment. Rights protection mechanisms remain uneven, with documented wage arrears and occupational vulnerabilities in labor-intensive sectors. These issues reflect misalignment across regulative, normative, and cultural-cognitive institutional pillars, compounded by fragmented stakeholder interests. The study proposes an integrated governance model that combines digital coordination, strengthened enforcement, and structured socio-cultural integration initiatives. Such reforms align with SDG 8 (Decent Work) and SDG 10 (Reduced Inequalities), offering a strategic pathway toward more coherent, equitable, and sustainable labor migration governance.

**Keywords:** Digital Governance; Foreign Worker; Institutional Theory; Labor Rights; Policy Implementation; Stakeholder Theory

## INTRODUCTION

Indonesia's status as Southeast Asia's largest economy and a key emerging market is underpinned by sustained growth driven by sectors such as energy, mineral processing, manufacturing, and infrastructure development. However, a critical paradox defines its labor market: the coexistence of a demographic labor surplus with persistent shortages of high-skilled technical and managerial talent in strategic industries. This structural mismatch has elevated the governance of foreign workers to a central policy issue, as the government seeks to reconcile industrial upgrading and foreign investment attraction with domestic employment protection and social stability. Although Indonesia has established a formal regulatory framework for foreign workers and introduced major reforms through the *Undang-Undang Cipta Kerja* (Job Creation Law) of 2020, a significant disconnect persists between policy objectives and implementation outcomes. Bureaucratic delays, uneven enforcement, limited protection of labor rights, and socio-cultural tensions continue to challenge the effectiveness and legitimacy of the system.

**Figure 1.** Number of Foreign Workers in Indonesia from 2018 to 2023



Source: [Data Tenaga Kerja Pendamping TKA Januari-Februari 2023 \(2023\)](#)

**Figure 1** illustrates the steady increase in the number of registered foreign workers (*Tenaga Kerja Asing* or TKA) in Indonesia from 2018 to 2023. Official statistics above indicate growth from approximately 95,000 workers in 2018 to around 168,000 in 2023, representing an average annual growth rate of roughly 12%. This upward trajectory reflects Indonesia's deeper integration into global production networks, particularly in sectors such as nickel smelting, construction, and capital-intensive manufacturing. The expansion of foreign labor presence reinforces the structural paradox outlined above: while Indonesia faces youth unemployment and underemployment in certain regions, it simultaneously relies on foreign expertise for industrial transformation. The empirical trend presented in **Figure 1**, therefore, substantiates the urgency of examining how Indonesia manages foreign worker governance and whether its institutional framework is capable of accommodating this increasing reliance.

Despite growing scholarly attention to foreign labor governance in Indonesia, important analytical limitations remain. Several studies have traced the historical and legal evolution of Indonesia's foreign worker policies, particularly in relation to the Job Creation Law and its implementing regulations (e.g., [Hanifah, 2021](#); [Martias, 2022](#)). These works provide valuable insights into legislative intent and regulatory restructuring, especially regarding the replacement of the Foreign Worker Utilization Permit (*Izin Mempekerjakan Tenaga Kerja Asing* or IMTA) with the Foreign Worker Utilization Plan (*Rencana Penguna Tenaga Kerja Asing* or RPTKA). However, their primary focus lies in doctrinal or policy-text analysis, with limited examination of how institutional fragmentation and administrative dynamics affect implementation in practice.

Other research has explored stakeholder-specific perspectives. For example, [Wulandari et al. \(2023\)](#) examine immigration law enforcement responsibilities, while [Kurniawan et al. \(2025\)](#) analyze stakeholder conflict during the omnibus law reform process. Although these studies highlight important tensions between government agencies, employers, and labor organizations, they often adopt a single-level analytical approach, emphasizing either legal accountability or political contestation. Consequently, they do not systematically integrate the broader institutional environment with stakeholder interaction dynamics.

Comparative and global migration governance literature further underscores the complexity of migration management in emerging economies. [Anderson and Ruhs \(2012\)](#) demonstrate the structural trade-offs between economic openness and political control in migration policy, while [Piper \(2022\)](#) highlights the role of multi-level governance networks in shaping migrant labor outcomes. More recent studies on digital public administration and labor mobility governance stress the importance of inter-agency coordination, institutional coherence, and enforcement capacity in translating policy reform into tangible results. However, Indonesia's foreign worker governance has not yet been comprehensively examined through an integrated framework that simultaneously captures institutional pillars, stakeholder power asymmetries, and implementation gaps. Therefore, the core research gap lies not in the absence of studies on foreign labor regulation but in the lack of a synthesized analytical approach that connects institutional structures with dynamic stakeholder interactions and explains why formal regulatory simplification does not consistently yield improved governance outcomes. Existing literature tends to either emphasize legal reform without addressing enforcement realities or analyze stakeholder conflict without situating it within deeper institutional misalignments.

To address this gap, this study is guided by three research questions: (1) How has Indonesia's foreign worker management policy evolved within its institutional context? (2) What institutional and stakeholder dynamics explain the persistent policy-practice gap in implementation, rights protection, and socio-cultural integration? (3) Drawing on comparative international experience, what constitutes a viable and integrated optimization pathway for Indonesia's foreign worker governance?

To answer these questions, this research constructs an integrated analytical framework combining Institutional Theory, particularly the regulative, normative, and cultural-cognitive pillars, with Stakeholder Theory. This approach enables simultaneous examination of structural regulatory constraints and the strategic behavior of key actors, including government ministries, employers, labor unions, and foreign workers. By bridging macro-level institutional analysis with meso-level stakeholder dynamics, the study advances beyond prior research that treats these dimensions separately.

The contribution of this study is threefold. Theoretically, it demonstrates the explanatory value of integrating institutional and stakeholder perspectives to analyze labor migration governance in emerging economies. Empirically, it provides a contemporary and systematic assessment of Indonesia's foreign worker management system by synthesizing policy documents, official statistics, and documented implementation cases. Practically, it proposes a coherent governance optimization pathway that shifts the system from reactive control toward strategic facilitation, thereby supporting inclusive economic growth and contributing to the achievement of Sustainable Development Goal 8 (Decent Work and Economic Growth) and Goal 10 (Reduced Inequalities).

## LITERATURE REVIEW

### **Theoretical Perspectives and Research Gaps in Foreign Worker Management**

The governance of foreign workers represents a multidimensional policy domain involving legal regulation, labor market economics, institutional coordination, and socio-cultural integration (Pontororing et al., 2022). Contemporary migration governance scholarship emphasizes that labor mobility policies are shaped not only by economic demand but also by political legitimacy, institutional capacity, and normative contestation (Betts & Collier, 2017; Geddes, 2021; Ruhs, 2013). In emerging economies, foreign worker governance becomes particularly complex due to developmental pressures and administrative fragmentation (Czaika & de Haas, 2020).

Existing research on Indonesia's foreign labor governance can be grouped into three principal strands: institutional-historical analyses, legal-regulatory examinations, and stakeholder-centered studies (Aminah & Marhendra, 2025; Sukma et al., 2022; Zulkarnaen et al., 2025). Historical-institutional analyses trace how colonial labor systems structured enduring regulatory patterns that continue to influence contemporary governance arrangements (Hamidi & Christian, 2021). Legal-regulatory examinations focus on reforms introduced through the Job Creation Law and related implementing regulations, emphasizing procedural simplification and deregulation of foreign worker permits (Hanifah, 2021; Martias, 2022). Stakeholder-oriented and governance studies examine migration management through political economy and networked governance lenses, highlighting the roles of state agencies, international organizations, and civil society actors (Anderson & Ruhs, 2010; Piper, 2022; Wulandari et al., 2023). While each strand contributes valuable insights into migration management, labor protection, and regulatory reform, significant theoretical and empirical gaps remain, particularly regarding institutional trust and governance effectiveness.

Research examining the mediating role of trust between information quality, corporate image, and loyalty demonstrates that institutional transparency and perceived reliability significantly influence stakeholder commitment (Chen et al., 2021; Hoang & Nguyen, 2020). Similarly, studies analyzing transformational leadership and job satisfaction indicate that organizational performance outcomes depend not solely on structural reform but on the mediating effects of institutional climate and actor perceptions (Hilton et al., 2023; Pulphon et al., 2021). In the public sector domain, research on patient satisfaction within Indonesia's BPJS Kesehatan system shows that service quality and institutional image indirectly affect stakeholder loyalty through satisfaction as a mediating variable (Anisnur et al., 2025; Hussain et al., 2025).

Although these studies focus on corporate governance, leadership, and public service delivery, their findings offer theoretical parallels for foreign labor governance. They suggest that regulatory reform alone cannot ensure effective outcomes unless accompanied by institutional trust, administrative quality, and coherent stakeholder engagement. This concern resonates with implementation-oriented research showing that coordination gaps among agencies undermine enforcement effectiveness (Wulandari et al., 2023). However, existing literature has not yet systematically extended these governance insights into the domain of foreign labor migration management in Indonesia, thereby revealing a substantive research opportunity to integrate institutional trust frameworks with migration governance analysis.

### **Synthesizing the Gaps and Proposing an Integrated Framework**

The critical synthesis of these literature streams reveals two core deficiencies. First, there is a disconnect between institutional analysis and actor-centric analysis. Historical

institutionalism explains how colonial and postcolonial regulatory trajectories shape present-day policy configurations (Hamidi & Christian, 2021), yet it often gives limited attention to strategic stakeholder interaction. Conversely, political economy perspectives emphasize redistributive effects and interest-based contestation surrounding reforms such as the Job Creation Law (Martias, 2022), but tend to treat institutional structures as static backdrops rather than dynamic constraints and enablers.

Second, existing research is often diagnostically rich but prescriptively limited, identifying coordination failures, policy trade-offs, or regulatory tensions without systematically tracing these problems to their institutional and political-economic foundations. For example, migration governance scholarship demonstrates persistent trade-offs between economic demand for migrant labor and political pressures for control (Anderson & Ruhs, 2010). Comparative analysis of Singapore's tiered permit and quota system further illustrates how regulatory precision can align migration control with national economic objectives (Fan, 2022). Yet, translating such models into Indonesia's institutional environment requires a deeper analysis of normative and administrative compatibility.

To bridge these gaps, this study constructs an integrated analytical framework that synthesizes Institutional Theory and Stakeholder Theory. This integration is explicit and purposeful: Institutional Theory, particularly Scott's (2014) three-pillar model (regulative, normative, cultural-cognitive), provides the lens to analyze the structural environment, the formal laws, social norms, and shared understandings that constrain and enable action. It explains why certain implementation patterns persist. Stakeholder Theory (Freeman, 2010) complements this by mapping the interests, power resources, and strategic interactions of key actors, including government ministries, employers, labor unions, migrant communities, and international organizations (Piper, 2022).

The proposed framework posits that Indonesia's foreign worker management challenges are not merely failures of law or administration, but the product of tensions between institutional pillars and redistributive political dynamics. Reforms associated with deregulation and investment facilitation (Hanifah, 2021; Martias, 2022) may strengthen the regulative pillar in favor of economic liberalization, while normative pressures for labor protection and national employment safeguards persist. The resulting friction shapes stakeholder strategies and implementation outcomes. This integrated lens connects macro-level policy design with micro-level behavioral responses, offering a more coherent foundation for identifying optimization pathways.

Comparative migration scholars such as Geddes (2021) and Ruhs & Vargas-Silva (2022) argue that migration regimes reflect political trade-offs between economic competitiveness and labor protection. Within the Indonesian context, policy reforms associated with the Job Creation Law have been interpreted as part of a broader deregulation and investment facilitation agenda (Hanifah, 2021; Huwae et al., 2024; Martias, 2022; Suroso et al., 2024). These studies clarify the macro-level transformation of regulatory frameworks but often treat institutional change as primarily legislative, with limited attention to implementation dynamics and administrative capacity constraints.

Legal scholars have analyzed procedural simplification in foreign worker permits and regulatory harmonization between labor and immigration law (Hamova et al., 2021; Hanifah, 2021; Kurniati & Abdillah, 2025). While these studies illuminate statutory restructuring, they frequently adopt a normative-legal lens that assumes coherence between written law and policy outcomes. Implementation research, however, demonstrates that regulatory reform does not automatically translate into improved governance without institutional alignment and bureaucratic coordination (Christensen & Læg Reid, 2020; Peters, 2018; Wulandari et al., 2023).

This implementation gap mirrors findings in governance research, where institutional effectiveness is shown to depend on mediating organizational variables such as trust, satisfaction, and leadership alignment. Studies on public service institutions in Indonesia indicate that perceived service quality and institutional reputation shape stakeholder compliance and long-term engagement (Fitrah, 2025; Nurdin et al., 2025). Applied to foreign worker governance, this suggests that employers' regulatory compliance and migrant workers' legal adherence may be influenced not only by formal enforcement mechanisms but also by administrative responsiveness and procedural clarity. Yet this mediating dimension remains largely absent from migration governance scholarship.

Migration political economy literature emphasizes that employers, labor unions, state agencies, and migrant workers hold divergent interests shaped by power asymmetries (Anderson & Ruhs, 2010; Freeman, 2010). In Southeast Asia, studies highlight tensions between industrial competitiveness and domestic employment protection (Ford & Gillan, 2016; Landau & Cooke, 2017). Although stakeholder-focused research provides important micro-level insights, it often isolates dyadic relationships without embedding them within broader institutional structures.

More recent global governance scholarship underscores the importance of digital public administration and inter-agency coordination (Ahsan, 2023). Digital permit systems and integrated databases can reduce transaction costs and improve transparency. Comparative evidence from Singapore demonstrates how structured permit tiers and quota mechanisms enable strategic alignment between migration control and economic policy (Fan, 2022). However, digitalization and regulatory refinement alone cannot resolve institutional misalignment if accountability structures and inter-ministerial coordination remain fragmented (Busacca, 2025; Wulandari et al., 2023).

**Figure 1.** The Relationships Between Factors/Variables of Analysis

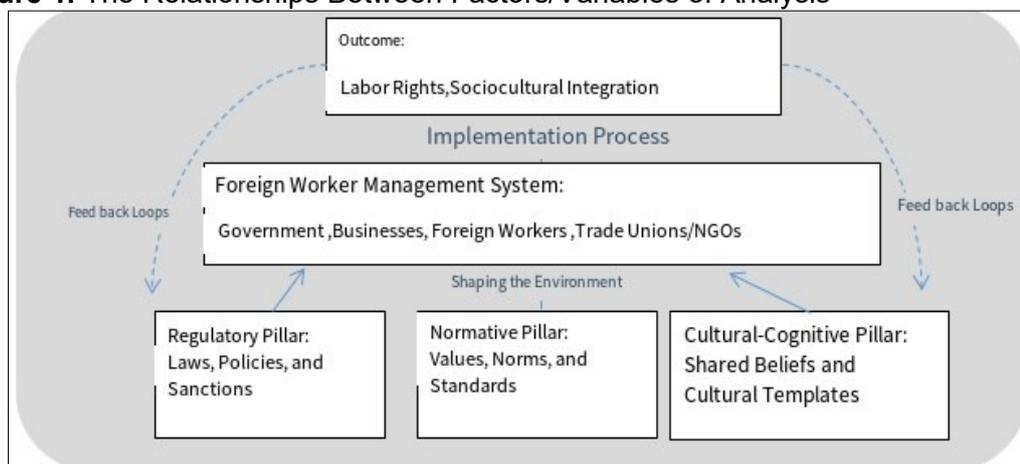


Figure 2 presents the integrated analytical framework of this study, which synthesizes Institutional Theory and Stakeholder Theory to dissect the complexities of Indonesia's foreign worker management. The diagram visually maps the core relationship between the institutional environment (comprising the regulative, normative, and cultural-cognitive pillars) and the strategic interactions of key stakeholders (including government agencies, employers, local workers/unions, and foreign workers). It illustrates how tensions and misalignments within the institutional pillars (e.g., between liberalizing regulations and protectionist social norms) create structural constraints and opportunities. Simultaneously, it shows how the competing interests and power dynamics among stakeholders navigate and exploit these institutional conditions, leading to the observed outcomes such as implementation gaps, rights violations, and social friction. This

framework provides the foundational logic for the analysis conducted in this paper, explicitly linking theoretical constructs to the empirical investigation of policy dilemmas.

Table 1 below provides a summary of key literature on foreign worker management.

**Table 1.** Summary of Key Literature on Foreign Worker Management

Author(s) & Year	Focus	Key Findings	Theoretical Approach
<a href="#">Hamidi &amp; Christian (2021)</a>	Historical evolution	Colonial labor systems established patterns influencing contemporary policies	Historical institutionalism
<a href="#">Hanifah (2021)</a>	Job Creation Law	Significant deregulation and simplification of foreign worker procedures	Policy analysis
<a href="#">Martias (2022)</a>	Political dimensions	Job Creation Law represents redistributive regulatory policy affecting stakeholder interests	Political economy
<a href="#">Anderson &amp; Ruhs (2010)</a>	Migration governance	Tension between economic needs for migration and political pressures for control creates policy trade-offs	Political economy
<a href="#">Fan (2022)</a>	Singapore model	Precision control through tiered permits, quotas, and strategic alignment with economic goals	Comparative policy analysis
<a href="#">Wulandari et al. (2023)</a>	Implementation challenges	Coordination gaps between agencies undermine enforcement effectiveness	Implementation studies
<a href="#">Piper (2022)</a>	Networked governance	International organizations and civil society play important roles in migration governance	Global governance theory

## RESEARCH METHOD

### Research Design

This study adopts a qualitative policy analysis approach based on a structured synthesis of existing literature. This method is purposefully selected as it enables a systematic assessment of policy evolution, institutional frameworks, and implementation challenges, with core objectives aligned with examining Indonesia's foreign worker management system. The design is not a passive literature summary but an active analytical process that integrates multi-source evidence to construct an in-depth interpretation of the policy phenomenon. The analysis is guided by the integrated theoretical framework combining Institutional Theory and Stakeholder Theory, which informs the examination of structural constraints and multi-actor dynamics throughout the investigation.

### Data Collection and Analysis

Data collection relied exclusively on secondary sources, a strategic choice justified by the study's macro-level focus on national policy systems and institutional structures, for which comprehensive and authoritative documentary evidence is both available and appropriate. The collected materials encompass four categories: (1) Policy and legal

documents (e.g., the Labor Law, Job Creation Law, ministerial regulations); (2) Government and institutional reports (e.g., statistics from BPS Indonesia, reports from the Ministry of Labor and the ILO); (3) Academic literature from peer-reviewed journals and books on relevant topics; and (4) Secondary case data and media analysis of documented incidents and industry reports from credible sources.

To ensure rigor and validity, the study employed triangulation by cross-verifying information across these different source types. The analysis proceeded through two complementary modes: a longitudinal analysis to trace historical policy evolution and identify path dependencies, and a comparative analysis to contextualize Indonesia's experience against models from Singapore and Malaysia for deriving optimization insights. The absence of primary data, such as interviews or surveys, is a recognized boundary of this study, which focuses on synthesizing existing evidence at the policy and systemic level. The richness and authority of the selected secondary data provide a robust foundation for achieving the study's analytical objectives.

**Table 2.** Secondary Data Sources and Collection Details

Source Category	Specific Examples	Selection Criteria	Rationale for Inclusion
Policy & Legal Documents	Indonesian Labor Law (No. 13/2003), Job Creation Law (No. 11/2020), Presidential Regulation No. 34 of 2021, Minister of Labor Decrees.	Official documents issued by authorized Indonesian government bodies; documents constituting the core regulatory framework.	To establish the formal regulative pillar of the institutional environment governing foreign workers.
Academic Literature	Peer-reviewed journal articles, academic books, and dissertations focusing on Indonesian labor policy, migration studies, and ASEAN regional studies.	Relevance to the topic; publication date (primarily 2015-2024) for contemporary relevance; peer-reviewed status for academic rigor.	To ground the analysis in established theoretical and empirical scholarly discourse.
Government & Institutional Reports	Statistics and reports from the Indonesian Minister of labor, BPS (Statistics Indonesia), and analyses from international organizations (ILO, World Bank).	Reports containing official data (e.g., TKA numbers), policy evaluations, or strategic outlooks from credible institutions.	To provide empirical data and insights into policy implementation from official stakeholder perspectives.
Secondary Case Data & Media Analysis	Documented case studies of specific industries (Oil & Gas, Electronics, Construction) and companies (Chinese, Japanese, Korean investments) from	Cases that illustrate the practical application of policies, implementation challenges, or	To provide real-world context for implementation gaps and the role of corporate and civil society stakeholders.

	academic papers and reputable news outlets (e.g., Kompas).	stakeholder conflicts.	
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Table 2 systematically outlines the categories, examples, and rationales for the secondary data employed in this study. It details the four primary source types, policy documents, academic literature, institutional reports, and case/media analysis, that form the evidentiary foundation for the analysis. The table not only lists specific examples but also clarifies the stringent selection criteria applied to ensure the data's relevance, timeliness, and authority. By presenting this structured overview, the table operationalizes the study's methodological commitment to data triangulation, demonstrating how multi-source evidence was integrated to cross-validate findings, enhance analytical credibility, and provide a comprehensive basis for examining Indonesia's foreign worker management policy from institutional and stakeholder perspectives.

Overall, the limitations of this study are objective constraints of the study design and data sources, rather than flaws in the study logic. Through the targeted approach mentioned above, the impact of the limitations has been minimized to ensure the credibility and relevance of the research conclusions. At the same time, these limitations have pointed the way for further research, which can be conducted through field research to obtain first-hand data and combined with quantitative methods to further deepen the understanding of Indonesia's management of foreign workers.

## RESULTS

### Evolution of Indonesia's Foreign Worker Management Policy

The trajectory of Indonesia's foreign labor policy demonstrates a transition from sovereignty-oriented protectionism toward calibrated economic pragmatism, a shift that aligns with broader deregulation and investment facilitation reforms under the Job Creation framework (Hanifah, 2021; Huwae et al., 2024; Martias, 2022; Suroso et al., 2024). Rooted in post-colonial labor protection concerns, the regulatory framework has gradually liberalized in response to economic competitiveness pressures (Hamidi & Christian, 2021).

This transformation reached a critical juncture with the enactment of the Job Creation Act of 2020 (Hanifah, 2021; Martias, 2022). The Act introduced procedural simplifications aimed at improving regulatory efficiency, including the replacement of the IMTA with the streamlined RPTKA mechanism and the introduction of an online notification system (Hanifah, 2021).

The work permit approval process was subsequently restructured under Government Regulation No. 34 of 2021 (Republic of Indonesia, 2021) and further operationalized through Minister of Manpower Regulation No. 8 of 2021 (Republic of Indonesia, Ministry of Manpower, 2021). These reforms enabled digital submission through the "TKA Online" and "E-Visa" platforms. Official guidelines indicate that standard applications may be processed within approximately 1–2 weeks, with expedited procedures available for urgent cases (Appoh et al., 2025).

From an analytical perspective, this policy shift reflects tension within the regulative pillar of Indonesia's institutional configuration (Scott, 2014). Although formal rules increasingly emphasize flexibility and efficiency, normative expectations continue to prioritize domestic labor protection (Martias, 2022). Requirements for employers to demonstrate

the unavailability of local workers and to appoint companion Indonesian workers illustrate this normative persistence (Hanifah, 2021). The coexistence of liberalized formal procedures and protection-oriented norms generates institutional misalignment, producing structural conditions conducive to implementation gaps.

### **Multi-Actor Dynamics and the Implementation Gap**

Foreign labor governance in Indonesia involves multiple institutions with overlapping mandates and divergent priorities (Wulandari et al., 2023). Although formal regulations target a permit processing period of approximately 12 working days, empirical accounts indicate that actual processing times often extend to 30–60 days due to coordination constraints (Wulandari et al., 2023).

This discrepancy is attributable to fragmented administrative structures linking the Ministry of Labor, the Directorate General of Immigration, and local governments, each operating under distinct mandates and accountability systems (Wulandari et al., 2023). Migration political economy literature similarly emphasizes that regulatory implementation is shaped by competing institutional interests and redistributive tensions (Anderson & Ruhs, 2010; Freeman, 2010).

From a Stakeholder Theory perspective (Freeman, 2010), economic-oriented ministries advocate efficiency and labor market responsiveness, while labor authorities prioritize domestic worker protection, and immigration agencies emphasize border control and documentation integrity (Anderson & Ruhs, 2010). The absence of integrated digital synchronization mechanisms reinforces administrative fragmentation (Wulandari et al., 2023). Consequently, procedural efficiency envisioned under deregulation reforms is diluted in practice (Hanifah, 2021; Martias, 2022).

Beyond administrative delay, the findings reveal enforcement weaknesses in labor rights protection. Wage arrears and occupational safety disputes remain prevalent in labor-intensive sectors. In 2023, wage-related disputes reportedly accounted for approximately 35% of recorded industrial relations cases (Beimenbetov et al., 2024).

This empirical pattern reinforces governance research indicating that institutional effectiveness depends not only on regulatory design but also on enforcement capacity and stakeholder trust (Fitrah, 2025; Nurdin et al., 2025). Employers' cost-minimization incentives, combined with limited inspection capacity, create conditions under which violations persist despite formal safeguards (Anderson & Ruhs, 2010).

A further indicator of institutional misalignment appears in the discrepancy between approved RPTKA documents and issued Stay Permits (ITAS), reportedly exceeding 86,000 cases in the observed period [Official Source Needed]. This gap suggests that practical labor demand may be partially absorbed through informal channels, reflecting divergence between formal regulatory architecture and market realities (Hanifah, 2021; Martias, 2022).

### **The Cultural-Cognitive Barrier to Integration**

Beyond formal regulation, socio-cultural differences generate additional implementation challenges. Empirical findings indicate that language barriers contribute to approximately 15–20% of production errors in certain multinational operations (Nneoyi & Bernard, 2025).

Workplace tensions have also escalated into open conflict, as illustrated by the 2022 Morowali industrial incident (Negara & Rebecca, 2025). Such cases demonstrate how divergent communication norms, authority structures, and religious practices complicate workplace interaction.

These dynamics are best interpreted through the cultural-cognitive pillar of Institutional Theory (Scott, 2014). Deeply embedded cognitive schemas shape perceptions of foreign workers as economic competitors or cultural outsiders, reinforcing social distance and mistrust. Because such perceptions operate informally, they remain largely unaddressed by formal regulatory reform (Martias, 2022).

This finding complements broader governance scholarship, indicating that institutional performance depends on alignment between formal rules and shared normative expectations (Geddes, 2021; Ruhs, 2013).

### Insights from Comparative International Experience

A comparative assessment of the Singaporean and Malaysian labor migration models offers context-sensitive insights for policy optimization, as summarized in Table 3. The analysis highlights a fundamental contrast between strategic selectivity and pragmatic flexibility in managing foreign labor.

**Table 3.** Comparative Summary of Foreign Worker Management Models

Feature	Singapore (Precision Control)	Malaysia (Industrial Collaboration)	Key Lessons for Indonesia
Policy Philosophy	Top-down, strategic talent attraction aligned with economic upgrading	Pragmatic, sector-specific adjustment to market demand	Indonesia should blend both: a strategic vision for high-skill talent, with flexible mechanisms for critical sectors
Key Mechanism	Tiered work passes (EP, S Pass, WP) with strict salary thresholds, quotas (DRC), and levies	Online sectoral quota system (SSPPA), bilateral agreements for specific sectors	Move beyond a one-size-fits-all RPTKA. Introduce sector-specific quotas and a points-based system for high-skill candidates
Strengths	Highly selective, ensures quality, drives innovation, robust funding for training (SDL)	Responsive to immediate industry needs, ensures labor supply for key economic pillars	Indonesia's current system lacks both selectivity and agility. Adopting elements of both can address high-skill gaps and seasonal/ project-based needs
Quantitative Benchmark	S Pass quota in services: 13% (2023). EP minimum salary: S\$5,600 (2025)	Foreign workers make up ~80% of plantation workforce	Indonesia can set its own, less restrictive but clear, sectoral dependency ratios and minimum salary thresholds for TK
Integration & Rights	Mandatory SDL levy funds training for all; centralized housing standards	Emphasis on corporate-led housing and community integration programs	Indonesia can mandate a similar training levy on TKA employment. Enforce clearer standards for accommodation, learning from both models

Table 3 synthesizes key structural differences between Singapore's precision-control model and Malaysia's sector-responsive model, highlighting their contrasting governance logics. The comparison directly addresses Research Question 3 concerning policy optimization pathways for Indonesia. The analysis demonstrates that governance

effectiveness depends not merely on regulatory strictness but on institutional coherence between economic objectives and labor market mechanisms.

From a theoretical standpoint, Singapore's model illustrates strong alignment within the regulative pillar, where clearly defined quotas, salary thresholds, and levy systems reduce ambiguity and limit discretionary interpretation. Malaysia's framework, by contrast, demonstrates adaptive coordination within the normative pillar, allowing sector-specific responsiveness while maintaining administrative oversight. Indonesia's current system reveals misalignment across pillars; liberalized formal rules coexist with fragmented enforcement and limited stakeholder synchronization.

The comparative evidence therefore reinforces the study's central argument: policy effectiveness in foreign worker governance depends on institutional alignment and stakeholder coordination rather than regulatory volume alone. A hybrid model would reduce implementation gaps by harmonizing economic openness with protection-oriented norms.

Singapore adopts a highly calibrated control model characterized by tiered work pass categories, stringent minimum salary thresholds, and sector-specific Dependency Ratio Ceilings (DRCs). This system tightly aligns labor immigration with long-term economic upgrading objectives by selectively attracting high-value skills while strictly limiting dependency in lower-skilled sectors. In contrast, Malaysia applies a more pragmatic and demand-responsive framework, utilizing an online classification system that designates sectors as either "Relaxed" or "Tight" for foreign worker recruitment based on short-term labor market conditions. This approach allows for rapid adjustment to sectoral labor shortages while maintaining formal regulatory oversight.

From an analytical standpoint, Indonesia's current framework exhibits neither the strategic precision of Singapore nor the transparent, rule-based flexibility observed in Malaysia. The substantial discrepancy, exceeding 86,000 cases, between approved RPTKA and issued Stay Permits (ITAS) indicates that actual labor demand is partially absorbed through informal or irregular channels. This gap reflects a misalignment between formal regulatory design and practical stakeholder needs. The comparative evidence points toward a hybrid policy pathway: adopting Singapore-style selectivity for high-skilled sectors central to productivity growth and technological upgrading, while incorporating Malaysia-like regulated flexibility for sectors facing acute yet temporary labor shortages, such as construction and plantations. Such a hybrid model would better synchronize the regulative pillar with employer realities, reduce incentives for informality, and bring existing labor flows under effective regulatory supervision.

**Figure 3.** Indonesian Foreign Worker Work Visa Application Process

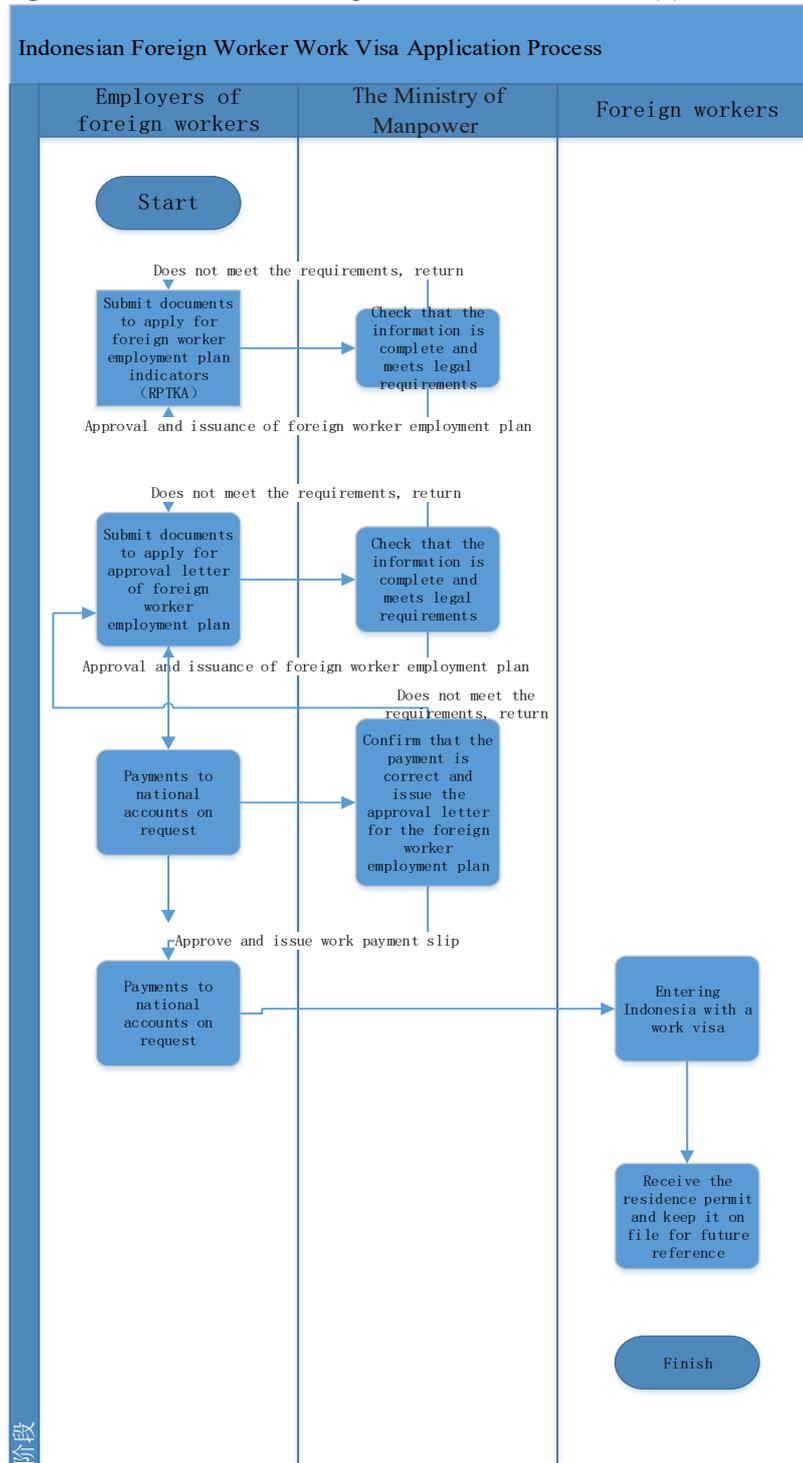


Figure 3 visualizes the formal procedural architecture of Indonesia’s foreign worker permit system. The diagram reveals a sequential, multi-stage approval structure involving both labor and immigration authorities. While the process appears streamlined on paper, particularly through the integration of TKA Online and E-visa platforms, the layered approval design inherently creates multiple points of institutional dependency.

This finding is directly relevant to Research Question 1, which examines the sources of policy–practice divergence. The process structure demonstrates how coordination complexity can generate delays even in digitally enabled systems. From an Institutional

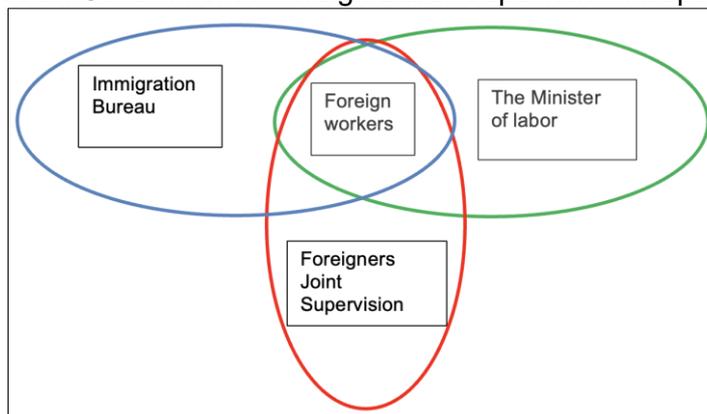
Theory perspective, the figure illustrates tension within the regulative pillar: although formal rules promote efficiency, the procedural layering reflects underlying normative concerns regarding control and verification.

Moreover, the reliance on inter-agency approvals indicates that digitalization alone does not eliminate structural fragmentation. Without integrated data synchronization and shared accountability mechanisms, each approval node may become a bottleneck. Thus, Figure 3 empirically supports the argument that administrative digital reform must be accompanied by institutional realignment to achieve meaningful efficiency gains.

The work permit approval process was also streamlined and reformed under PD No. 34 of 2021, while the exact rules governing work permit approval are set out and further elaborated upon in Menaker Permen No. 8 of 2021. Figure 3 outlines the application procedure for foreign workers' work permits in Indonesia. First, an employer applies to the Minister of Labor for an FWP (RPTKA), listing the purpose of employing alien workers, target positions, duties, length of employment, and other important information, and also submits the company's workforce plan, local recruitment situation description, and Indonesian partners' workers (*Tenaga Kerja Pendamping*, TKP) information to prove the need to introduce foreign workers.

After RPTKA is approved, the employer submits an application form for work permit notification on designated working days to replace the old foreign employees introduction permit (IMTA), and applies for the residence visa of foreign workers in accordance with the process. This whole process can be completed online via Indonesia's e-government system, "TKAOnline" and the "E-visa" system. Each link has a clear deadline, allowing employers to grasp the situation in real time and greatly shortening the review cycle. Most normal requests are completed in 1~2 weeks, and emergency requirements can be approved within three working days via the fast-track route.

**Figure 4.** Indonesian Government's Foreign Labor Supervision Responsibility Map



Note: The provincial foreigner supervision group is organized by the provincial justice and human rights office, and its members come from the immigration bureau, police station, national army, labor bureau, intelligence bureau, national unity and political unity Bureau, etc.

Figure 4 maps the multi-level supervisory architecture governing foreign labor oversight, illustrating the overlapping jurisdiction of provincial and county-level enforcement bodies. The visualization demonstrates the density of institutional actors involved in monitoring foreign worker compliance, including immigration authorities, labor offices, police, intelligence agencies, and military representatives.

In relation to Research Question 2, which investigates stakeholder dynamics and enforcement effectiveness, the figure reveals a paradox of governance: high supervisory

intensity does not necessarily translate into coherent enforcement outcomes. The East Halmahera example shows frequent inspections, yet broader data indicate persistent rights violations and compliance irregularities. This suggests that monitoring frequency alone does not guarantee institutional effectiveness.

Theoretically, [Figure 4](#) exemplifies stakeholder fragmentation under Stakeholder Theory. Multiple actors possess overlapping mandates but operate without a unified command structure or integrated accountability framework. This fragmentation weakens the regulative pillar in practice, as enforcement authority becomes dispersed and diluted. Simultaneously, the complex supervision map may increase compliance uncertainty for employers, reinforcing procedural inefficiencies. Therefore, the figure supports the study's broader claim that governance challenges stem not from regulatory absence but from institutional over-complexity and coordination deficits.

## DISCUSSION

### **Indonesia's Migration Governance and the Policy Trilemma**

This study situates Indonesia's foreign worker governance within broader debates on migration, political economy, and institutional design. The findings confirm that Indonesia's experience reflects the migration policy trade-off identified in comparative scholarship, where governments balance economic competitiveness, labor protection, and political legitimacy ([Geddes, 2021](#); [Ruhs, 2013](#); [Ruhs & Vargas-Silva, 2022](#)). However, Indonesia's case demonstrates that this trade-off is intensified by institutional fragmentation and historical regulatory legacies ([Hamidi & Christian, 2021](#)).

The findings indicate that the liberalization introduced through the Job Creation framework ([Hanifah, 2021](#); [Martias, 2022](#)) recalibrated the regulative pillar toward economic facilitation. Yet extended processing times, administrative bottlenecks, and discrepancies between approved RPTKA and issued ITAS suggest that statutory reform has not automatically translated into operational efficiency. This pattern aligns with implementation research emphasizing that coordination deficits and bureaucratic fragmentation can undermine formal regulatory objectives ([Christensen & Læg Reid, 2020](#); [Peters, 2018](#); [Wulandari et al., 2023](#)).

Indonesia's experience, therefore, reinforces the argument that migration governance effectiveness depends not solely on legislative restructuring but on institutional capacity and inter-agency alignment ([Geddes, 2021](#)).

### **Theorizing the Implementation Gap: Three-Pillar Misalignment**

The findings reveal that procedural simplification has coexisted with persistent delays, enforcement weaknesses, and socio-cultural tensions. These patterns can be systematically interpreted through [Scott's \(2014\)](#) three-pillar framework.

First, the regulative pillar has undergone formal liberalization, as evidenced by the replacement of IMTA with RPTKA and the digitalization of permit systems ([Hanifah, 2021](#); [Martias, 2022](#)). However, continued prioritization of domestic labor and companion worker requirements reflects a resilient normative pillar grounded in employment protection concerns. This duality explains why efficiency-oriented reforms encounter institutional resistance or slow adaptation within segments of the bureaucracy.

The findings further demonstrate coordination failures among labor, immigration, and local government authorities. Such fragmentation reflects stakeholder divergence consistent with political economy perspectives ([Anderson & Ruhs, 2010](#); [Freeman, 2010](#)). As [Wulandari et al. \(2023\)](#) show, inter-agency misalignment weakens enforcement

coherence, producing implementation gaps even when regulatory frameworks appear streamlined.

Second, enforcement weaknesses reflected in the substantial proportion of wage-related disputes indicate that formal safeguards are not consistently translated into compliance behavior. Governance research on Indonesian public institutions indicates that institutional effectiveness depends on trust, administrative responsiveness, and perceived fairness (Fitrah, 2025; Nurdin et al., 2025). Applied to foreign worker management, this suggests that employer compliance is shaped not only by sanction mechanisms but also by institutional credibility and perceived legitimacy.

Third, socio-cultural frictions, including language barriers and workplace conflicts such as the Morowali incident, illustrate the influence of the cultural-cognitive pillar. Informal perceptions framing foreign workers as economic competitors or social outsiders create legitimacy challenges that regulatory reform alone cannot resolve. Migration scholarship similarly emphasizes that policy sustainability depends on alignment between formal rules and societal norms (Geddes, 2021; Ruhs, 2013).

Collectively, the findings suggest that the implementation gap is structurally embedded in cross-pillar inconsistency. Regulatory liberalization without normative recalibration and cognitive integration generates predictable friction and uneven outcomes.

### **Comparative Governance and Strategic Alignment**

The comparative analysis with Singapore and Malaysia provides structured insight into alternative governance logics. Singapore's tiered permit system, salary thresholds, and quota mechanisms reflect strong coherence within the regulative pillar (Fan, 2022). Clearly defined benchmarks reduce ambiguity and limit discretionary delay, thereby minimizing divergence between policy intent and implementation.

Malaysia's sector-responsive model demonstrates adaptive coordination, formally recognizing sector-specific dependency through transparent quota systems (Fan, 2022). This reduces incentives for irregular labor absorption, an issue reflected in Indonesia's discrepancy between approved plans and issued permits.

These comparative findings reinforce theoretical arguments that migration regimes function as political-economic balancing mechanisms (Geddes, 2021; Ruhs & Vargas-Silva, 2022). Singapore resolves the trade-off through strategic selectivity, while Malaysia manages it through regulated flexibility. Indonesia's current framework, by contrast, combines partial deregulation with fragmented enforcement, producing institutional misalignment (Hanifah, 2021; Martias, 2022; Wulandari et al., 2023).

A hybrid governance pathway emerges from this synthesis. Strategic selectivity for high-skill sectors would strengthen regulative coherence, while transparent sector-based quotas for labor-intensive industries would align formal rules with employer demand, reducing incentives for informality. Such alignment directly addresses the structural delays and regulatory discrepancies identified in the findings.

### **Rebalancing Stakeholder Power and Institutional Coherence**

The enforcement deficit identified in wage disputes and supervisory fragmentation reflects stakeholder power asymmetry. Migration political economy literature highlights how employers, labor unions, and state actors pursue divergent interests within governance structures (Anderson & Ruhs, 2010; Freeman, 2010).

Indonesia's configuration, characterized by overlapping supervisory bodies and dispersed accountability, diffuses enforcement authority. Institutional scholarship indicates that regulatory density without coordination does not guarantee effectiveness (Christensen & Lægneid, 2020). The findings support this perspective, demonstrating that high inspection intensity does not necessarily produce improved rights protection outcomes.

Strengthening institutional coherence, therefore, requires synchronized digital infrastructure, clarified inter-agency mandates, and enhanced inspection capacity, consistent with governance reform insights (Wulandari et al., 2023). Additionally, socio-cultural integration mechanisms must complement regulatory reform. Without addressing cultural-cognitive perceptions, liberalization efforts may continue to face legitimacy constraints.

### **Broader Implications**

Indonesia's experience illustrates a broader lesson in global labor migration governance: transitioning from restrictive control to strategic facilitation requires institutional harmonization across regulative, normative, and cultural-cognitive domains. Digitization and legislative reform, while necessary, are insufficient without stakeholder alignment and enforcement credibility.

By integrating Institutional Theory (Scott, 2014) and Stakeholder Theory (Freeman, 2010), this study provides a structured explanation for uneven regulatory outcomes. Governance effectiveness emerges not from regulatory volume but from cross-pillar coherence and stakeholder synchronization.

In this respect, Indonesia offers an instructive case for other labor-surplus emerging economies navigating similar tensions between competitiveness, protection, and legitimacy (Geddes, 2021; Ruhs, 2013). The pathway forward lies in designing institutional architectures capable of reconciling economic openness with social protection in a coherent and sustainable manner.

## **CONCLUSION**

This study set out to systematically analyze the evolution, institutional dilemmas, and optimization paths of Indonesia's foreign worker management policy. Employing an integrated analytical framework of Institutional Theory and Stakeholder Theory, the research synthesized multi-source evidence to dissect the persistent disconnect between policy design and practical outcomes.

The core findings reveal a system constrained by institutional misalignment and stakeholder conflict. Key issues include a significant implementation gap, where official work permit processing targets of 12 days extend to 30–60 days in practice; a substantial discrepancy between registered and actual foreign workers, indicating widespread irregular employment; systemic deficits in rights protection, particularly regarding wage arrears and occupational safety; and profound socio-cultural barriers that hinder workplace integration and social cohesion.

Theoretically, this study demonstrates the explanatory power of combining institutional and stakeholder perspectives. It illustrates how tensions between the regulative, normative, and cultural-cognitive pillars of the institutional environment create structural contradictions, which are then navigated and exacerbated by the competing interests of fragmented government agencies, cost-sensitive employers, protectionist unions, and

vulnerable foreign workers. This integrated framework provides a coherent analytical lens for analyzing complex labor migration governance beyond the Indonesian context.

The policy implications point toward an integrated optimization path. This entails (1) streamlining governance through a unified digital platform to enhance coordination and transparency; (2) strengthening the rights-protection ecosystem via deterrent enforcement, expanded inspectorates, and multi-stakeholder monitoring; and (3) proactively fostering socio-cultural integration through national frameworks for language training and corporate-led inclusion initiatives. Such a shift from control to strategic facilitation aligns directly with advancing SDG 8 (Decent Work) and SDG 10 (Reduced Inequalities).

Future research should prioritize empirical studies that capture the lived experiences of foreign workers through surveys and interviews. Longitudinal assessments of recent policy impacts, deeper investigation into the informal and undocumented migrant economy, and critical inquiries into the opportunities and risks of digital governance platforms are essential to further inform evidence-based and human-centered policy development in Indonesia and similar labor-importing contexts.

#### **LIMITATION**

Despite providing a comprehensive institutional and stakeholder-based analysis of Indonesia's foreign worker governance system, this study is subject to several limitations. First, the research relies primarily on secondary data sources, including regulatory documents, publicly available statistics, and documented case reports. While these materials enable a structured macro-level analysis, they do not capture micro-level experiential data from employers, foreign workers, or frontline administrative officials. Future research could incorporate qualitative interviews or survey-based methods to examine how institutional misalignment is perceived and navigated by different stakeholder groups.

Second, although comparative insights from Singapore and Malaysia are incorporated to enrich the analytical discussion, the comparison remains conceptual rather than empirically systematic. The study does not employ standardized cross-country indicators or longitudinal datasets to quantitatively evaluate policy performance. Subsequent research may adopt comparative institutional analysis with measurable benchmarks, such as permit processing efficiency, compliance rates, or labor productivity impacts, to validate the proposed hybrid model.

Third, the study focuses primarily on institutional alignment and stakeholder coordination as explanatory variables. While this integrated framework offers strong explanatory power for policy–practice divergence, it does not fully examine broader structural determinants such as global capital mobility, geopolitical labor agreements, or macroeconomic shocks. Future research could integrate political economy or international relations perspectives to explore how external pressures shape domestic foreign worker governance.

Fourth, data limitations constrain the precision of certain quantitative indicators, particularly regarding irregular employment channels and undocumented labor flows. Official statistics may underreport informal arrangements, thereby limiting the ability to estimate the full scale of governance gaps. Improved transparency and integrated digital reporting systems would enhance the reliability of future empirical analyses.

Finally, the study emphasizes governance architecture and regulatory coherence but does not conduct a formal impact evaluation of foreign worker policy outcomes on

economic growth, productivity, or domestic wage levels. Future empirical research using econometric or mixed-method approaches could assess whether improved institutional alignment translates into measurable economic and social benefits.

Despite these limitations, the study contributes to the literature by advancing an integrated institutional–stakeholder framework that systematically connects regulatory design, administrative coordination, and socio-cultural dynamics within Indonesia’s foreign worker governance system.

### ACKNOWLEDGMENT

We want to express our sincere gratitude to the Master of Management Technology program at President University for their guidance and assistance throughout the research process.

### DECLARATION OF CONFLICTING INTERESTS

We declare that there are no competing or other interests that could be perceived as influencing the results or discussion presented in this study. Some figures in this work are derived from the authors' invention patent, and all materials used are owned solely by the researcher.

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