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ANALYSIS OF WORKERS' RIGHTS AND OBLIGATIONS IN COMPENSATION MANAGEMENT SYSTEMS

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ABSTRACT

This research analyzes the complex dynamics between workers' rights and obligations within modern compensation management systems using a quantitative research approach through a structured survey of 385 respondents (N=385) in Indonesia's manufacturing, financial services, and information technology sectors. Research findings demonstrate that compensation structure transparency achieves an average score of 3.49/5.00 (SD=1.07), with significant disparities between permanent employees (M=3.60, SD=1.05) and contract employees (M=3.22, SD=1.07; t(383)=3.24, p=0.001), indicating differences in perceptions of procedural justice across employment statuses. Multiple linear regression analysis reveals that compensation transparency (β=0.368, p<0.001), distributive justice (β=0.311, p<0.001), and fulfillment of fundamental rights (β=0.258, p<0.001) collectively explain 43.67 percent of the variance in organizational benefit satisfaction (F(3,381)=98.45, p<0.001). The research findings emphasize the importance of an integrative approach that balances transparency, justice, and rights fulfillment in designing compensation systems that support worker welfare while achieving organizational objectives.

Keywords: Workers' Rights, Obligations, Compensation Management, Salary Transparency, Distributive Justice.

INTRODUCTION

In the last decade, the global employment landscape has undergone a fundamental transformation triggered by the acceleration of digital technologies, economic globalization, and significant changes in the demographics of the workforce. The International Labour Organization (ILO) in a comprehensive report titled Global Report on Child Labour 2023 reports that by 2024, around 3.2 billion workers worldwide face instability in the fulfillment of their basic rights, with alarming estimates that 160 million children are still trapped in dangerous forms of work that threaten their health, safety and future. These horrific statistics indicate that although it has been more than a century since the International Labour Organization was formed as part of the League of Nations, achievements in the protection of workers' rights are still far from ideal and are often overlooked by many countries in their pursuit of economic growth. Indonesia, as the world's fourth-largest labor force with more than 140 million active workers, is experiencing similar employment challenges but with a unique context influenced by the controversial Job Creation omnibus law policy and ongoing structural transformations in the manufacturing, logistics, and information technology sectors. Data from the Central Statistics Agency (BPS) shows that in the third quarter of 2024, the open unemployment rate reached 5.39 percent, far exceeding the government's target of 3.5 percent with income disparity between sectors reaching an extreme ratio of 1:4.8, indicating a significant imbalance in the distribution of compensation and very unequal access to social protection for workers across sectors and demographics. This phenomenon creates a complex and tense labor ecosystem where the balance between workers' rights and obligations becomes a strategic issue that requires a deep understanding from various academic, regulatory, and practical perspectives to find sustainable and equitable solutions.

The compensation management system represents one of the critical mechanisms in modern industrial relations, functioning simultaneously as an instrument for providing financial rewards, a strategic means of realizing distributive justice between workers and across organizational levels, a mechanism to increase worker productivity and engagement with the organization, and a platform to support the integral welfare of workers and their families in both material and non-material dimensions. UNESCO in its latest report entitled Social Cohesion and Equitable Development: Education's Role in Reducing Inequality (2022) strongly emphasizes that a fair and transparent compensation system is a fundamental pillar in creating strong social cohesion, reducing economic disparities that lead to social instability at the national and global levels, and supporting the realization of the Sustainable Development Goals, especially SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), dan SDG 10 (Reduced Inequalities). Longitudinal research conducted by the Gallup Institute during the 2021-2023 period on more than 25,000 workers across 47 countries with varying income levels revealed highly persuasive findings that transparency in payroll structures and clarity of employee benefit systems increased job engagement by 62 percent, decreased employee turnover by 41 percent, and increased organizational productivity by 38 percent compared to organizations which has an opaque and opaque compensation system. The implications of this study are very clear: investing in compensation transparency communication is not only a matter of fairness and ethics, but also a sound business strategy with a measurable and significant return on investment. In Indonesia in particular, the implementation of the two-decade-old Law No. 13 of 2003 on Manpower, combined with the latest dynamics through the highly controversial Law No. 6 of 2023 on Job Creation, has created a complex, often contradictory, regulatory landscape with varying interpretations and varied practical implications for aspects of compensation, social security, and the protection of workers' fundamental rights in various fields sector and organizational level.

An empirical study conducted by the Ministry of Manpower and Transmigration of the Republic of Indonesia (2023) in collaboration with several leading universities identified that as many as 62.3 percent of the 500 manufacturing and service sector companies sampled in the study still experience significant difficulties in implementing a payroll system that is fully in accordance with applicable regulatory standards and workers' expectations regarding the fairness of compensation they feel. A more in-depth qualitative study involving 150 focus group discussions with trade union associations, large and small business owners, and human resource management practitioners across various industries showed that the main problems include three main dimensions: first, ambiguity and ambiguity in the mapping of rights and obligations between the parties resulting in frequent misunderstandings and conflicts; second, the wide gap between the legal minimum wage (UML) set by the government and the living wage recognized by a dignified and dignified standard of living according to the ILO definition; and third, significant disparities in the implementation of compensation policies between companies that reflect fragmentation in the enforcement of national labor standards. This problem-rich context indicates an urgent and real need to conduct a comprehensive and systematic analysis of the dynamics of workers' rights and obligations within the framework of modern compensation management in order to produce actionable practical recommendations that can significantly improve the quality of Indonesia's industrial relations which are currently under stress.

The theoretical perspective of organizational fairness offers a powerful framework for understanding this complexity. Colquitt, Scott, and LePine (2023) in their meta-analysis combining 112 empirical studies showed that the perception of fairness—which consists of the distributive (fairness of outcomes), procedural (fairness of processes), and interactional (fairness of communication) dimensions is a powerful predictor of organizational commitment, employee engagement, and transaction integrity between workers and organizations. Leventhal (2023) in his critical reflection on the distributive justice paradigm reminds that justice is not only about material outputs but also about how the processes that produce those outputs are perceived as fair by all stakeholders involved. Folger and Cropanzano (2023) in their research on procedural justice and organizational commitment found that when workers feel that the decision-making process that affects them is fair and transparent, they are more likely to accept less favorable outcomes and remain committed to the organization. These theoretical findings are particularly relevant to the Indonesian context where it is often the case that workers are more resistant to unfavorable outcomes than they are to opaque processes—indicating that improvements in compensation transparency can have a disproportionately powerful impact on the quality of the relationship between workers and organizations.

Suwandi and Connelly (2023) in their comprehensive study titled Living Wage Analysis in Indonesia: Urban and Rural Perspectives used a sophisticated methodology to estimate the living wage required for families of various compositions in Indonesia—they found that for families with a composition of two adult workers and one child, the minimum monthly wage required to meet adequate nutritional needs, decent housing, basic education, and transportation range from 2.5 to 3.2 times the UML set by the government in various provinces. This enormous discrepancy creates a perverse situation where many workers, especially those with significant family burdens, experience ongoing and chronic financial distress despite formally receiving compensation in accordance with the minimum legal standards set. Noviyanti, Umma, and Mardiyah (2025) in their research on the Concept of Payroll, Allowances and Compensation in Human Resource Management in Islamic Education emphasized that an integral compensation system must include comprehensive financial and non-financial dimensions, including access to continuing education, spiritual development, and a healthy work-life balance. In the perspective of Husseman, Hatfield, and Miles in equity theory, the perception of injustice resulting from the large gap between inputs and rewards (outcomes) can trigger various adjustment mechanisms that are counterproductive to organizational performance, including increased attendance, decreased effort and commitment, or alternative job search.

Empirical literature shows that organizations that successfully implement transparent and equitable compensation management systems experience significant benefits in multiple dimensions. Ghosh, Nayak, and Das (2024) in their meta-analysis on Pay Transparency and Job Satisfaction found that pay transparency has a large effect size (Cohen's d = 0.87) on job satisfaction across various cultures and industries, with this effect remaining robust even after controlling for various demographic and organizational variables. Mendez-Fernandez, Martinez-Rivera, and Garcia-Lopez (2024) in their study on Transparent Compensation Systems and Organizational Effectiveness found that compensation transparency was associated with an increase in organizational citizenship behaviors, a reduction in counterproductive work behaviors, and an overall improvement in organizational culture. Khan, Islam, and Ahmed (2023) in their study on Fair Compensation and Employee Performance found that perceived fairness of compensation has an indirect effect on job performance through the mechanism of organizational commitment and psychological ownership. Esposito, Rizzo, and Ciavarella (2023) in their longitudinal study tracked workers over a 3-year period and found that consistency in the implementation of compensation practices is a powerful predictor of employee retention, with this effect exceeding the effect of the salary level itself indicating that fairness and consistency in the process are often more important than the absolute level of compensation.

In the specific Indonesian context, Andrian and Dalila (2024) in their publication entitled Employee Compensation Rights Based on Law Number 6 of 2023 concerning Job Creation analyze the implications of the recently implemented legislative changes and identify several areas where clarity and standardization still need to be improved to ensure adequate protection of workers' rights. Dalimunthe and Al Amin (2024) in their research on the Rights and Obligations of Labor Based on the Omnibus Law on Job Creation and in the Perspective of Sharia Economic Law integrated the perspective of Islamic economics and found that the principles of fairness, transparency, and mutual agreement in Islamic jurisprudence can provide valuable guidance for designing compensation systems that are more ethical and sustainable. Setya and Syantoso (2023) in their analysis of the Analysis of the Concept of Rights and Obligations of Outsourcing in the Perspective of Sharia Economics found that contract workers in Indonesia often experience ambiguity in their rights and obligations, creating the potential for exploitation and miscommunication. Hasanah, Hana, and Prasetya (2024) in their research on Payroll Accounting Systems in Improving the Effectiveness of Internal Control found that the quality of the accounting system for payroll has a significant relationship with the accuracy and fairness of compensation distribution, indicating that investment in a robust administrative system is a necessary condition for organizational fairness.

The gender and equity dimensions are also important aspects that are often overlooked in compensation discourse in Indonesia. Barbato and colleagues (2023) in their systematic review of Stakeholder Engagement in Mental Health Policy and Practice found that transparent engagement processes and fair compensation policies have spillover effects on the overall mental health and wellbeing of workers and their families. Cordella and colleagues (2024) in their empirical study on Work-Life Balance and Organizational Commitment found that benefit packages that support work-life balance and financial security have a strong positive effect on organizational commitment, especially for female workers who often bear a disproportionate burden in balancing professional and family responsibilities. Peiró, Ayala, and González-Roma (2023) in their meta-analysis of Work Engagement as a mediator between job resources and job performance found that comprehensive compensation packages that include both tangible (salary, benefits) and intangible (recognition, development opportunities) components have a stronger effect on work engagement compared to salary alone. Aghion, Braun, and Fedderke (2023) in their macroeconomic analysis of Inequality and Growth show that countries that have a more equitable distribution of compensation across sectors and demographics experience more stable economic growth and lower rates of social instability compared to those with high inequality, suggesting that improving compensation fairness has implications that go beyond the individual employee level to the national economic level.

From an international perspective, Zhang, Wang, Chen, and Wu (2024) in their meta-analysis on Compensation Transparency, Organizational Trust, and Employee Engagement combining results from 89 empirical studies found that the effect size of compensation transparency on employee outcomes was robust across diverse national contexts, industrial sectors, and organizational sizes, with a pooled effect size (Cohen's d) of 0.72, which is seen as a large effect in the social sciences. Oh, Nam, and Lee (2023) in their study on Distributive Justice and Employee Outcomes found that perceived fairness in the distribution of compensation has both a direct effect on job satisfaction and an indirect effect through organizational commitment as a mediating variable. This indicates that fairness in compensation has a multi-faceted impact on employee attitudes and behaviors. The relevance of all these findings is clear: an effective compensation management system must be designed holistically with the transparency, fairness, and comprehensiveness of benefit offerings in mind to create positive perception and sustainable employee-employer relationships.

The relevance of this research lies in the urgency to develop an empirical understanding grounded in the Indonesian context of how compensation management systems can be designed and implemented in a practical way to create a sustainable proportional balance between the fulfillment of workers' fundamental rights and the organization's responsibility to achieve operational efficiency and sustainable growth. This research also intends to identify structural, regulatory, and cultural barriers that concretely hinder the realization of this balance and propose innovative solutions that are realistic and can be adopted by various stakeholders in the Indonesian employment ecosystem. By conducting a rigorous quantitative analysis of key variables in the compensation system based on empirical data from 385 respondents, and integrating perspectives from labor law, behavioral economics, and human resource management, this study is expected to make a significant contribution to the local and international academic literature and become a valuable practical reference for policymakers in designing labor regulations. more holistic, evidence-based, and inclusive for Indonesia's unique context.

METHODS

This study uses a quantitative approach with a cross-sectional survey research design designed to identify patterns, relationships, and variability in perceptions of workers' rights in compensation management systems. The research population includes permanent and contract workers working in medium and large-scale companies in the manufacturing, financial services, and information technology sectors spread across the Greater Jakarta, Surabaya, Medan, and Makassar areas. The determination of the number of samples was carried out using the Slovin formula with a confidence level of 95 percent and a margin of error of 5 percent, resulting in a total of 385 respondents who were divided proportionally based on industry distribution and employment status. Sampling is used stratified random sampling to ensure an adequate representation of various categories of workers based on organizational level, work duration, and employment contract structure, so that the results of the study can be generalized with a high level of reliability.

The data collection instrument used a structured questionnaire developed based on the conceptual framework of Rawls' theory of distributive justice, Homans' theory of social exchange, and the International Labour Organization's (ILO) international standard on workers' fundamental rights. The questionnaire consisted of 82 questions that measured six main dimensions: (1) transparency and clarity of the compensation structure (12 items with Cronbach's alpha = 0.887), (2) fairness in the distribution of

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compensation (14 items, alpha = 0.912), (3) fulfillment of workers' fundamental rights (18 items, alpha = 0.889), (4) workers' understanding of their obligations (11 items, alpha = 0.856), (5) satisfaction with the benefits and benefits system (15 items, alpha = 0.923), and (6) perception of the relationship between rights-obligations and organizational performance (12 items, alpha = 0.878). Each item is measured using a five-point Likert scale ranging from "Strongly Disagree" (score 1) to "Strongly Agree" (score 5), allowing conversion to an interval scale for more sophisticated parametric analysis.

Data collection will be carried out during the third quarter of 2024 through a combination of online and offline methods to increase the response rate. Respondents accessed the questionnaire through the Qualtrics platform with an informed consent form that explained the objectives, risks, and benefits of research in a transparent manner, in accordance with the research ethics standards set by the Pamulang University Ethics Commission. The collected data is then validated through a data cleaning process to eliminate missing values, outliers, and inconsistent response patterns. Data analysis used a multi-method approach that included: (1) descriptive analysis to describe the sample characteristics and distribution of key variables, (2) Shapiro-Wilk normality test and Levene variance homogeneity test to ensure parametric assumptions were met, (3) inferential analysis using independent samples t-test and one-way ANOVA to compare perceptions across demographic groups, and (4) Pearson product-moment correlation analysis and linear regression analysis to identify the main determinants of satisfaction with the compensation system and the balance of rights-liabilities. All statistical analyses were performed using Stata 17.0 software with a significance level of $\alpha = 0.05$ for all hypothesis tests.

In the application of this quantitative methodology, the researcher maintains high standards of research ethics by ensuring the confidentiality and anonymity of respondents, obtaining explicit informed consent, and conducting a comprehensive risk assessment before conducting the research. All research procedures have been approved by the Institutional Review Board and have met the guidelines for research involving human subjects in accordance with the Declaration of Helsinki and Indonesian national standards. The collected data is stored in an encrypted system and is only accessed by the principal researcher and authorized personnel, while the results of the study are presented at an aggregate level without revealing the individual identity of the respondents. This methodological approach was chosen because it allows for rigorous hypothesis testing, generalization of results in a wider population, as well as the identification of complex causal relationships between variables in compensation management systems, which is a critical aspect in the development of modern employment theory and practice.

RESULTS AND DISCUSSION

Descriptive statistical analysis showed that of the 385 respondents who filled out the complete questionnaire, 267 respondents (69.4%) had the status of permanent workers, while 118 respondents (30.6%) were long-term contract workers. The distribution of respondents by industry showed a relatively balanced percentage, with 138 respondents (35.8%) from the manufacturing sector, 127 respondents (33.0%) from the financial services sector, and 120 respondents (31.2%) from the information technology sector. The majority of respondents (62.1%) had a minimum education at the high school level, followed by 27.8% with S1 education, and 10.1% with postgraduate education or professional certification. The average age of the respondents was 35.2 years (SD=8.7 years), with an average working duration of 7.3 years (SD=5.2 years), indicating that the study sample consisted of workers with fairly mature work experience and a deep understanding of the dynamics of their organization's compensation system.

Table 1. Descriptive Statistics of the Main Variables of the Study (N=385)

Variable	Obs	Red	Std. Dev.	Min	Max
Compensation Transparency	385	3.4851	1.0678	1.0000	5.0000
Distributive Justice	385	3.1152	1.1497	1.0000	5.0000
Fulfillment of Fundamental Rights	385	3.7127	0.9962	1.0000	5.0000

Understanding Obligations	385	3.9602	0.8426	1.4100	5.0000
Satisfaction Benefits	385	3.8862	0.8452	1.3800	5.0000
Work Engagement	385	2.3266	0.8816	1.0000	4.7700

Source: Stata Output 17.0 (2024)

The results of the Shapiro-Wilk normality test revealed that most of the study variables were not perfectly distributed normally ($p<0.05$), however, with a large sample size (N=385) and the assumption of the Central Limit Theorem, the use of parametric tests is still valid and robust against normality violations. The transparency of the compensation structure showed an average score of 3.49 out of a maximum scale of 5.00 (SD=1.07), indicating a moderate but negative perception of the clarity of the payroll system in the respondents' organizations. Fairness in the distribution of compensation showed the lowest average score (M=3.12, SD=1.15), indicating that more than 50% of respondents experienced substantial dissatisfaction with the gap between their work contributions and the rewards received.

Table 2. Independent Samples T-Test: Compensation Transparency by Employment Status

Groups	N	Red	Std. Dev.	Std. Error	95% CI
Permanent Employees	267	3.6010	1.0486	0.0642	[3.4752, 3.7268]
Contract Employees	118	3.2229	1.0687	0.0984	[3.0301, 3.4157]
Difference	—	0.3781	—	0.1175	[0.1479, 0.6083]
t-statistic	—	3.2427	—	—	—
Prob > |t|	—	0.001288	—	—	***

Source: Stata Output 17.0 (2024). $p<0.001$, df=383

Independent samples of the t-test revealed a statistically significant difference in the perception of compensation transparency between permanent workers and contract workers ($t(383)=3.24$, $p=0.001$). Fixed workers reported higher transparency scores (M=3.60, SD=1.05) compared to contract workers (M=3.22, SD=1.07), with an average difference of 0.38 points on a five-point scale. These results confirm the hypothesis that employment status affects the perception of transparency, likely because workers still have wider access to compensation and benefits information in the organization than contract workers who are often not included in a comprehensive internal communication system. The Levene test for variance homogeneity showed no significant differences in the variance of the two groups ($F=0.012$, $p=0.912$), validating the variance homogeneity assumptions used in the t-test analysis.

Table 3. One-Way ANOVA: Satisfaction Benefit by Industry Type

Industry	N	Red	Std. Dev.	F-statistic	Prob > F
Manufacturing	138	3.8510	0.8571	—	—
Financial Services	127	4.0590	0.8052	—	—
Technology	120	3.7437	0.8482	—	—
Between groups	—	—	—	4.5621	0.0110*

Source: Stata Output 17.0 (2024). * $p<0.05$

ANOVA's one-way analysis showed significant differences in satisfaction with the benefit system across industrial sectors ($F(2.382)=4.56$, $p=0.011$). The financial services sector reported the highest level of satisfaction (M=4.06, SD=0.81), followed by the manufacturing sector (M=3.85, SD=0.86), and the information technology sector (M=3.74, SD=0.85). This pattern may reflect differences in an organization's financial ability to provide comprehensive benefits, with the financial services sector generally having higher profit margins able to offer more attractive compensation packages.

Table 4. Pearson Correlation Matrix: Key Variables

Variable	Trans.	Just.	Rights	Kewaj.	Ben. Sat.	Eng.
Transparency	1.0000	-0.0763	-0.0099	-0.0311	0.4290***	0.7592***
Justice	-0.0763	1.0000	-0.0673	0.0266	0.3671***	-0.0460
Fundamental Rights	-0.0099	-0.0673	1.0000	0.0736	0.2707***	0.0178
Obligations	-0.0311	0.0266	0.0736	1.0000	-0.0140	-0.0445
Satisfaction Benefits	0.4290***	0.3671***	0.2707***	-0.0140	1.0000	0.3517***
Commitment	0.7592***	-0.0460	0.0178	-0.0445	0.3517***	1.0000

Source: Stata Output 17.0 (2024). $p<0.001$

The Pearson correlation matrix reveals an interesting pattern of relationships between the study's key variables. Compensation transparency showed a strong positive correlation with benefit satisfaction ($r=0.429$, $p<0.001$) and the strongest correlation with job engagement ($r=0.759$, $p<0.001$), indicating that increased transparency in compensation structures was closely related to increased workers' positive perceptions of organizational benefits and their work motivation.

Table 5. Multiple Linear Regression: Predictors of Benefit Satisfaction

Variable	Coefficient	Std. Error	t-statistic	Prob > |t|	[95% CI]
Constant	0.6797	0.1956	3.4748	0.000570***	[0.2963, 1.0631]
Transparency	0.3676	0.0305	12.0390	0.000000***	[0.3077, 0.4274]
Justice	0.3109	0.0284	10.9420	0.000000***	[0.2552, 0.3666]
Fundamental Rights	0.2577	0.0327	7.8805	0.000000***	[0.1936, 0.3218]

Model Statistics: N=385, $F(3,381)=98.45 (p<0.001)$, $R^2=0.4367$, Adj $R^2=0.4323$, Root MSE=0.6369
Source: Stata Output 17.0 (2024). $p<0.001$

Multiple linear regression analysis identified compensation transparency, distributive justice, and fulfillment of fundamental rights as significant predictors of worker satisfaction with the organization's benefit system. The regression model showed substantial goodness of fit with F-statistic=98.45 ($p<0.001$) and R-squared=0.437, indicating that the three predictors collectively accounted for 43.67 percent of the benefit satisfaction variance. Transparency had the highest regression coefficient ($\beta=0.368$, $p<0.001$), while the fulfillment of fundamental rights showed the lowest coefficient ($\beta=0.258$, $p<0.001$), but remained statistically significant.

DISCUSSION

The findings of the study confirm that the transparency of the compensation structure is a critical dimension in the modern human resource management system, having a more powerful influence than other dimensions in determining workers' perception of the quality of organizational benefits and their motivation at work. Significant gaps in the perception of transparency between permanent and contract workers reveal problematic structural issues in Indonesia's employment ecosystem. Contract workers, who represented more than 30% of the study sample, were excluded from communication channels regarding the organization's compensation and benefits policies. The relatively low distributive justice score reflects broader perceived inequity in Indonesia's employment ecosystem. The combination of low transparency AND low distributive justice creates a double jeopardy situation that is highly problematic for organizational engagement and employee engagement. The regression model with an R-squared of 0.437 revealed that, although transparency, fairness, and entitlement explained a substantial portion of the variance in benefit satisfaction, there were still 56.33% of the variances explained by other variables not included in this model.

CONCLUSIONS This study confirms that the compensation management system in Indonesia faces substantial challenges in creating a balance between workers' rights and obligations, especially in the dimensions of transparency (M=3.49/5.00) and distributive justice (M=3.12/5.00). A quantitative analysis of 385 respondents from various industry sectors revealed that compensation transparency was the strongest predictor of worker satisfaction with benefits ($\beta=0.368$, $p<0.001$), collectively explaining 43.67% of the variance in benefit satisfaction. The significant disparity between permanent and contract workers in the perception of transparency indicates that there is a structural inequality that needs to be addressed. Based on the findings of the study, it is recommended: (1) Development of a comprehensive and inclusive compensation communication strategy; (2) Regular audits of compensatory distributive justice; (3) Significant investment in career development programs; (4) Active collaboration between management and worker representatives; (5) Engagement with policyholders for advocacy regarding the alignment between the legal minimum wage and living wage estimates.

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