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Industrial Relations Dynamics and Outsourced Labor: An Archival Case Study of Minimum Wage Policies and Local Labor Absorption at PT Semen Tonasa

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Abstract: *This study investigates the structural dynamics of industrial relations and outsourced labor within the state-owned enterprise (SOE) ecosystem in Indonesia, focusing on PT Semen Tonasa in Pangkajene and Islands Regency (Pangkep), South Sulawesi. Using an archival case study design, this research triangulates five years (2021-2025) of corporate sustainability disclosures (GRI Standards and OJK POJK 51/2017 reports from PT Semen Indonesia Group/SIG), regional regulatory decrees, and archival media investigations from 2019 to 2026. The findings reveal persistent institutional dissonance between corporate Environmental, Social, and Governance (ESG) narratives and on-the-ground industrial realities. Four tensions are identified: an entrenched labor dualism separating well-compensated permanent employees (182-188% of the Provincial Minimum Wage) from a precarious outsourced workforce of 1,000-1,500 personnel without transition pathways; recurring District Minimum Wage (UMK) compliance disputes marked by allowance cannibalization; a mismatch between corporate claims of over 85-90% local labor absorption and Ring-1 community grievances over employment quality; and a GRI 2-8 reporting boundary that confines "non-employee worker" disclosures to the parent entity, structurally excluding Tonasa's outsourced workforce from consolidated ESG headcounts even as parent-level figures declined from 3,575 (2021) to roughly 114-150 (2023-2024). Applying Dual Labor Market Theory and Labor Process Theory, this article shows how competitive market pressures drive risk-shifting and labor precaritization down the subcontracting hierarchy, while sustainability accounting conventions keep that precarity statistically invisible. The study proposes affirmative local labor governance models and statutory joint-liability frameworks to bridge corporate accountability and sustainable industrial relations.*

Keywords: *Industrial Relations, Outsourcing, Minimum Wage (UMK), Local Labor Absorption, PT Semen Tonasa, State-Owned Enterprises, Archival Case Study, Labor Precarity.*

INTRODUCTION

The restructuring of state-owned enterprises (SOEs) in emerging economies has increasingly relied on subcontracting and labor outsourcing to optimize operational expenditures and bolster capital competitiveness (Burawoy, 1985; Harvey, 2005). In Indonesia, the institutionalization of flexible labor regimes—accelerated by Law No. 13 of 2003 on Manpower and subsequently restructured under Law No. 6 of 2023 on Job Creation—has intensified the proliferation of indirect, triangular employment arrangements across strategic extractive and heavy manufacturing

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sectors (Caraway, 2015; Juliawan, 2018). While corporate holding entities project robust adherence to Global Reporting Initiative (GRI) standards and Sustainable Development Goals (SDGs), the lived realities of shop-floor labor often exhibit severe precarity, asymmetric wage structures, and protracted industrial disputes.

PT Semen Tonasa, the largest cement manufacturing subsidiary of PT Semen Indonesia (Persero) Tbk (SIG) operating in Eastern Indonesia, presents a compelling critical case for examining this institutional friction. Located in Pangkajene and Islands Regency (Pangkep), South Sulawesi, PT Semen Tonasa operates four active cement plant units with an installed capacity of 7.4 million tons per annum and private harbor facilities at Biringkassi. Over the past decade, the enterprise has navigated severe macroeconomic and sectoral headwinds, including national cement production oversupply, surging thermal and electrical energy costs, and intensified market competition from new multinational conglomerates across Sulawesi (e.g., PT Conch in Barru Regency). In response, the corporate holding has championed strategic "cost leadership" and "operational excellence" models.

Archival evidence from labor union memoranda, legislative hearing records, and regional press investigations (2019–2026) indicates that cost-containment strategies have disproportionately impacted third-party outsourced workers (*tenaga kerja alih daya*) and surrounding mining communities (*Ring-1 villages*). Despite corporate sustainability claims emphasizing "Equal Employment Opportunity" and "Respectful Workplace Policies," long-term outsourced workers—many serving between 10 to 20 years in core operational and mechanical lines—remain trapped in precarious Fixed-Term Work Agreements (PKWT) administered through intermediary vendors (such as PT Patriatama Mandiri, PT Biringkassi Raya, and PT ISS Indonesia). The friction escalated significantly during early 2026, when changes in wage calculation formulations resulted in widespread strikes, corporate headquarters blockades, and formal hearings at the Pangkep Regional House of Representatives (DPRD).

Concurrently, the spatial politics of employment in Pangkep has triggered sustained friction between corporate recruitment mechanisms and local youth alliances (e.g., AMUK, Fokmar). While corporate reports claim local workforce absorption figures exceeding 85% to 90%, local communities contend that native villagers are overwhelmingly confined to precarious, low-tier outsourcing roles, while permanent, high-remuneration managerial and technical positions are filled via centralized nationwide SOE recruitment drives.

This study investigates the systemic mechanisms governing this labor-management impasse. Grounded in Dual Labor Market Theory (Doeringer & Piore, 1971; Reich et al., 1973) and Labor Process Theory (Braverman, 1974; Peck, 1996), this paper addresses three fundamental research questions:

1. How has the chronology of industrial conflict and outsourcing policy at PT Semen Tonasa evolved across key regulatory and macroeconomic inflection points from 2019 to 2026?
2. What are the structural mechanisms underlying the recurring disputes over District Minimum Wage (UMK) compliance and wage component formulations within the triangular employment relationship?
3. How do the corporate disclosures of local community empowerment and labor absorption contrast with the empirical socio-spatial grievances of Ring-1 communities in Pangkep?

METHOD

Research Design: Archival Case Study

This study utilizes an Archival Case Study Design (Ventresca & Mohr, 2002; Welch, 2000). The archival method is uniquely suited for reconstructing historical event sequences, unveiling institutional decoupled practices (the disparity between formal policy and operational reality), and tracking the longitudinal trajectories of industrial relations without the vulnerability of retrospective recall bias.

Data Corpus and Selection Criteria

The empirical archive consists of three interlocking data streams collected across the 2019–2026 temporal horizon: (1) corporate and statutory archives, comprising SIG Sustainability Reports (2021–2025; 254–326 pp. each, structured under GRI Standards and OJK POJK 51/2017), corporate governance and code-of-conduct charters, and national and provincial regulatory decrees (Law No. 13/2003, Law No. 6/2023, Governor's Decrees); (2) labor and parliamentary records,

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comprising demands and memoranda from FPOS-ST, hearing minutes (RDP) from DPRD Kabupaten Pangkep Commission IX, and mediation transcripts from the Pangkep Manpower Office (Disnakertrans); and (3) investigative and regional media archives, comprising investigative reporting (Harian Fajar, Fajar.co.id, Rakyat Sulsel), regional beat archives (Tribun Timur), and labor-portal dossiers (2019–2026). These three streams were triangulated and integrated into a single chronological data corpus, as illustrated in Figure 1.

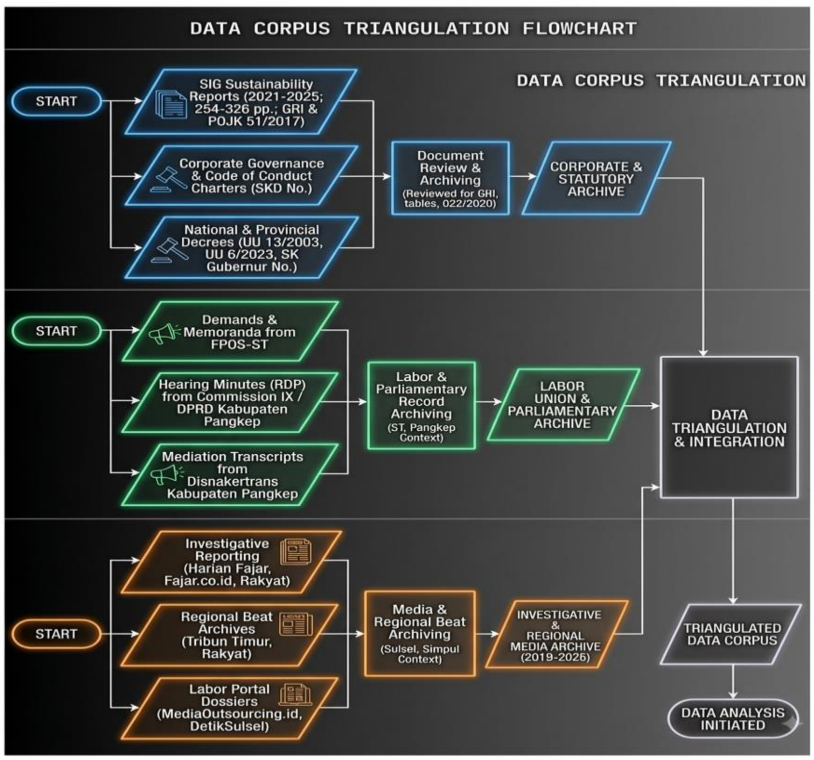

Figure 1. *Data Corpus Triangulation Flowchart*

Analytical Protocol

Data were analyzed following a four-stage historical-thematic protocol:

1. **Source Authentication & Cross-Verification**: Chronological cross-referencing of protest dates, legislative meetings, and company press releases to establish an authoritative event timeline.
2. **Textual & Discursive Coding**: Qualitative thematic coding focusing on wage components, contract tenure, triangular responsibility shifting, and local recruitment quotas.

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3. **Quantitative Metric Juxtaposition**: Comparative tabular mapping between corporate GRI disclosures (e.g., standard entry wages, turnover rates, CSR budgets) and real worker pay-slips and vendor billing rates. Wage, non-employee workforce (GRI 2-8), Community Satisfaction Index (IKM/CSI), Social License Index (SLI), and ASEAN Corporate Governance Scorecard (ACGS) figures were extracted from each of the four directly reviewed reporting years and reassembled into researcher-constructed longitudinal panels (2021/2022–2025) to detect trends, reporting-boundary changes, and disclosure gaps that are invisible within any single annual report.
4. **Institutional Dissonance Synthesis**: Mapping empirical findings onto theoretical models of labor market segmentation and corporate social responsibility (CSR) decoupling.

RESULT AND DISCUSSION

Chronological Trajectory of Labor Conflicts and Industrial Relations

The archival reconstruction reveals three distinct historical phases characterizing industrial relations and outsourced labor management at PT Semen Tonasa, summarized in Figure 2.

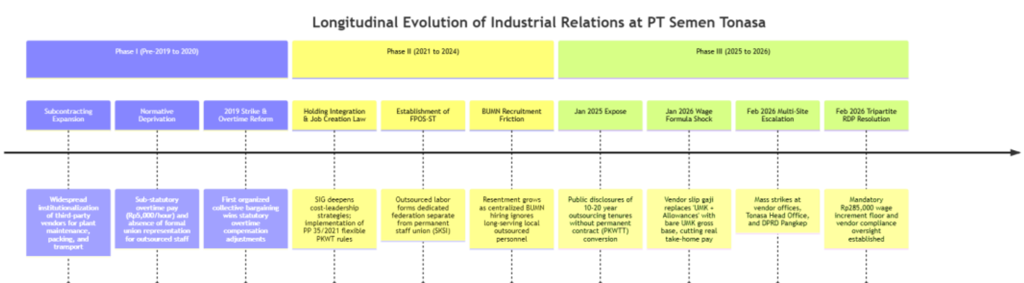

Figure 2. *Longitudinal Evolution of Industrial Relations at PT Semen Tonasa*

Phase I: Structural Subcontracting and Baseline Deprivation (Pre-2019 to 2020)

During the expansion of Tonasa Plant Unit V and subsequent integration under the SIG holding framework, non-core and routine technical workflows were aggressively outsourced. Prior to 2019, outsourced workers operated under highly precarious terms; archival testimony reveals that hourly overtime compensation was fixed at an arbitrary flat rate of **Rp5,000 per hour**, substantially below the statutory multiplier mandated by Manpower Decree No.

102/MEN/VI/2004. A coordinated wildcat protest in 2019 forced management and vendors to recalculate overtime rates according to national standards, marking the emergence of collective outsourced labor agency.

Phase II: Holding Centralization and the Outsourcing Logjam (2021 to 2024)

Following corporate rebranding into SIG and the enactment of the Job Creation Law (UU No. 11/2020 and Perppu No. 2/2022 / UU No. 6/2023), the boundary between core and non-core outsourcing was legally loosened. Internal corporate records corroborate the Group's own institutional awareness of this shift: the 2021 Sustainability Report's training log documents a dedicated management training session, "Mitigasi Risiko Alih Daya Sesuai UU Ciptaker (PKWT & PKWTT)" ("Outsourcing Risk Mitigation Under the Job Creation Law"), delivered by the Indonesian Employers' Association (Apindo) to SIG management-band personnel on 17 November 2021—timing that places corporate risk-mitigation planning for expanded outsourcing practice concurrently with the legal loosening itself, rather than as a reaction to subsequent labor unrest. To protect their collective interests, outsourced laborers established the **Federasi Pekerja Outsourcing Semen Tonasa (FPOS-ST)**, representing over 700 registered unionists out of an estimated 1,000 to 1,500 total third-party workforce (encompassing mechanical operators, kiln tenders, packaging packers, industrial drivers, security personnel, and sanitation workers). Tensions intensified when SIG launched nationwide "Rekrutmen Bersama BUMN" programs. Local outsourced workers with over a decade of continuous service were excluded from direct conversion pathways, as new permanent entry-level vacancies were filled through external, nationally standardized computerized testing.

Phase III: The 2025–2026 Escalation and Tripartite Parliamentary Intervention

In January 2025, FPOS-ST leadership formally denounced the multi-decade utilization of outsourced workers who had served 15 to 20 years without ever being granted permanent employee status (*Perjanjian Kerja Waktu Tidak Tertentu* / PKWTT), in direct contravention of the protective intent of manpower regulations.

The conflict reached a crisis point in **January–February 2026**, precipitated by the distribution of January 2026 pay-slips. Intermediary vendors (including PT Patriatama Mandiri and PT Biringkassi Raya) unilaterally modified the remuneration formula. While the 2025 compensation model was calculated as **[Base UMK + Variable Allowances]**, the 2026 formulation collapsed all allowances into a single baseline equal to the newly gazetted 2026 UMK Pangkep. As a result, the statutory increase in the minimum wage was effectively neutralized. The labor reaction was swift and multi-pronged: coordinated walkouts and protests targeted the operational offices of primary vendor PT Patriatama Mandiri on February 2–3, 2026, followed by the blockade of PT Semen Tonasa's Central Headquarters in Minasatene; hundreds of workers mobilized to the DPRD Pangkep building on February 3, 2026, demanding parliamentary subpoena powers against corporate HR directors and labor vendors; and on February 5–6, 2026, a formal Tripartite Hearing (*Rapat Dengar Pendapat* / RDP) convened by DPRD Pangkep and the Manpower Office (*Disnakertrans*) concluded with a binding resolution mandating that all vendors guarantee a minimum net wage increase of **Rp285,000 per worker** over 2025 earnings and prohibit any sub-UMK base wage accounting.

The Anatomy of Wage Policy Dynamics and Minimum Wage (UMK) Subversion

A key contribution of this archival analysis is documenting the accounting techniques through which minimum wage legislation is neutralized within triangular employment structures. Table 1 contrasts the wage-formula logic applied under the 2025 model against the restructured formula introduced in January 2026.

Aspect	2025 Model (Wage Increment Realized)	January 2026 Altered Model (Increment Cannibalization)
Formula	Total Take-Home Pay = Base UMK (2025) + Fixed Allowances	Base Wage = UMK (2026); allowances abolished / absorbed into base
Mechanism	Vendor restructuring not yet applied; allowances paid above statutory base	Housing, attendance, and hazard allowances reclassified as part of the core wage
Net Effect	Realized net wage gain upon annual UMK increase	Nominal statutory compliance; effectively zero net financial gain to the worker

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Table 1. *Wage-Formula Restructuring at PT Semen Tonasa Vendors, 2025 Model vs. January 2026 Altered Model Source: reconstructed by the authors from FPOS-ST wage-slip archives and vendor payroll documentation, 2025–2026.*

When the South Sulawesi Provincial Government and the Pangkep Wage Council establish annual UMK adjustments, principal enterprises adjust service procurement contracts (*kontrak pemborongan jasa*) on a lump-sum basis. However, intermediary vendors operate under fixed service-fee margins (often 5%–10%). To safeguard operational margins without inflating contract values, vendors restructure the internal allocation of the wage slip through three mechanisms:

1. **Cannibalization of Allowances**: Housing, attendance, and technical hazard allowances that had historically been provided above the base wage were reclassified as part of the core wage to match the new UMK threshold.
2. **Triangular Evasion of Accountability**: When workers protest, PT Semen Tonasa management disclaims direct legal liability by citing Article 66 of the Manpower Law, asserting that employment relationships, wage structures, and social protections are the exclusive legal domain of the independent vendor.
3. **Absence of Seniority Scales**: Workers with 15 years of technical operational experience receive the identical entry-level base wage as a newly recruited worker on day one, violating statutory obligations for Wage Scales and Structures (*Struktur dan Skala Upah*, Minister of Manpower Regulation No. 1/2017).

The Core-Periphery Dualism: Corporate Disclosures vs. Field Realities

Triangulating PT Semen Indonesia Group's official *Sustainability Report 2023* against empirical labor dispute archives illustrates an acute institutional decoupling, summarized in Table 2.

Evaluation Dimension	Official Corporate Disclosure (SIG Sustainability Report 2023)	Empirical Archival Reality (FPOS-ST & Field Records 2025–2026)
Remuneration Standards (GRI 202-1, OJK F.20)	Lowest entry-level permanent wage at Tonasa Plant is Rp5,269,946/month (155.68% of Provincial Minimum Wage/UMP Rp3.38M).	1,000–1,500 outsourced workers receive bare minimum UMK without structural tenure increments; 2026 wage restructuring erased allowance gains.

Evaluation Dimension	Official Corporate Disclosure (SIG Sustainability Report 2023)	Empirical Archival Reality (FPOS-ST & Field Records 2025–2026)
Industrial Democracy & Union Rights (GRI 2-30, GRI 407-1)	Complete collective bargaining coverage via Serikat Karyawan Semen Indonesia (SKSI; 1,227 members across holding); biannual Collective Labor Agreement (PKB) reviews.	Outsourced workers excluded from SKSI; forced to form separate federation (FPOS-ST) to demand basic labor code enforcement; barred from corporate PKB negotiations.
Employment Security & Career Progression (GRI 401-1, 404-3)	Comprehensive talent acquisition framework (4B: Build, Bridge, Borrow, Buy); 100% formal annual performance evaluations.	Outsourced personnel experience indefinite PKWT renewals spanning 10–20 years; zero internal conversion pathways during BUMN open recruitment drives.
Social License & Community Acceptance (GRI 413-1, OJK F.23)	Community Satisfaction Index (IKM/CSI) score of 83.2; active Social License to Operate; corporate awards in Green Industry and GCG.	Recurrent blockades of plant access corridors; community demonstrations regarding recruitment favoritism; multi-stage parliamentary hearings (RDP DPRD Pangkep).

Table 2. *Empirical Triangulation between Official ESG Disclosures and Archival Labor Records*

Direct review of the primary source reports for 2021, 2022, 2024, and 2025 permits this triangulation to be extended into a longitudinal panel, which reveals that the wage buffer above UMP and the ESG-reported community-acceptance metrics for Tonasa have moved within a narrow, largely stagnant range even as nominal figures rose—a pattern consistent with formal compliance without structural improvement.

Reporting Year	UMP South Sulawesi (Rp)	Lowest-Level Permanent Employee Compensation (Rp)	Ratio to UMP
2022	3,144,446	5,913,555	188.09%
2023*	3,385,145 (approx.)	5,269,946	155.68%
2024	3,434,298	6,260,180	182.28%
2025	3,880,136	7,183,952	185.15%

Table 3. *Longitudinal Wage-Compliance Ratio at PT Semen Tonasa, Lowest-Level Permanent Employees vs. Provincial Minimum Wage (UMP), 2022–2025*

*Source: SIG Sustainability Reports 2022, 2024, and 2025, "Tabel Perbandingan Upah Pegawai Baru Level Terendah dengan Upah Minimum Provinsi." *2023 figures as cited in the SIG Sustainability Report 2023; not independently re-verified against the primary 2023 document in this study's corpus, but internally consistent with the 2024 report's retrospective GRI 401 tables.*

The panel shows that the entry-level permanent wage floor at Tonasa has consistently tracked between roughly 1.8 and 1.9 times the provincial minimum across three of the four verified years, with 2023 registering as a comparative dip. This stability for *permanent* staff stands in stark contrast to the archival record of the January 2026 vendor pay-slip restructuring, in which *outsourced* workers' effective wage buffer above UMK was compressed to zero in a single reporting cycle—indicating that the wage-protection mechanisms evidenced in corporate disclosures operate almost exclusively within the primary (permanent) labor segment.

A parallel pattern emerges in the Community Satisfaction Index (IKM/CSI) and Social License Index (SLI) series reported for the Tonasa operational unit specifically.

Year	IKM/CSI Score (Tonasa)	SLI Result (Tonasa)	SLI Result, Comparator Plants (e.g., Cilacap, Narogong, Lhoknga)
2022	82.0	Not disclosed	Approval / Acceptance
2023	83.2	Not disclosed	Approval / Acceptance
2024	86.0	Not disclosed	Approval / Acceptance
2025	Not measured	Not disclosed	Approval / Acceptance

Table 4. *Tonasa-Specific Community Satisfaction Index (IKM/CSI) and Social License Index (SLI), 2022–2025*
Source: SIG Sustainability Reports 2024 and 2025, "Hasil Tingkat Indeks Kepuasan Masyarakat (IKM) dan Social License Index (SLI)."

While the IKM/CSI score attributed to Tonasa shows a nominal upward trend (82.0 → 86.0), the accompanying Social License Index—the qualitative acceptance rating (e.g., "Approval," "Acceptance," "High Approval") that SIG discloses for every comparator plant in the same table—is left blank for Tonasa in every reviewed year, and no 2025 IKM/CSI figure was published for the unit at all. This selective incompleteness is itself an empirical finding: it means the single most socially contested subsidiary in the portfolio, judged by the volume of Ring-1 grievance and strike archives assembled in this study, is also the one for which the Group's own social-license metric is least consistently reported.

A comparable disclosure asymmetry appears in workforce-composition reporting. The 2021 Sustainability Report contains a detailed "Penyerapan Tenaga Kerja" (Workforce Absorption) infographic for the Rembang plant—reporting an absolute headcount (564 workers) disaggregated by geographic origin (74% from Rembang district itself, 18% from elsewhere in Central Java, and

8% from outside Central Java). No equivalent disaggregated, plant-level local-absorption infographic for Tonasa appears in any of the four reports reviewed (2021, 2022, 2024, 2025). Because the Group evidently possesses the methodology and data infrastructure to produce such disaggregated figures, their absence for Tonasa specifically cannot be attributed to a general reporting limitation; it instead constrains external verification of the aggregate corporate claim—cited without subsidiary-level breakdown—that local personnel constitute more than 85–90% of the workforce (Section 3.4).

The GRI 2-8 Reporting Boundary as an Institutionalized Decoupling Mechanism

The most direct textual evidence for the disjuncture between corporate ESG accounting and Tonasa's field-level labor reality lies in the scope note attached to the GRI 2-8 ("Workers Who Are Not Employees") disclosure itself. In every one of the four reports reviewed, the non-employee/outsourced-worker table carries an explicit footnote restricting its scope to the ultimate parent entity alone, excluding all subsidiaries—Tonasa included—from the reported headcount. Table 5 reconstructs the resulting parent-level outsourcing series alongside the archivally documented subsidiary-level reality at Tonasa.

Reporting Year	Outsourced Workers, PT Semen Indonesia (Persero) Tbk only (GRI 2-8)	Reporting Scope Note	Outsourced Workers at PT Semen Tonasa (Archival/FPOS-ST estimate)
2021	3,575	"PT Semen Indonesia (Persero) Tbk only"	Not separately disclosed
2022	808	"PT Semen Indonesia (Persero) Tbk only"	Not separately disclosed
2023	150	"PT Semen Indonesia (Persero) Tbk only"	Not separately disclosed
2024	114	"PT Semen Indonesia (Persero) Tbk only, excluding subsidiaries"	Not separately disclosed
2025	125	"PT Semen Indonesia (Persero) Tbk only, excluding subsidiaries"	1,000–1,500 (FPOS-ST; Fajar.co.id, 2025; Simpul Rakyat, 2026)

Table 5. GRI 2-8 Non-Employee Worker (Outsourced/Alih Daya) Headcount, Parent Entity Only, vs. Archivally Documented Outsourced Workforce at PT Semen Tonasa

Source: SIG Sustainability Reports 2021, 2022, 2024, and 2025, "Pekerja Bukan Karyawan [GRI 2-8]"; archival figures per Section 3.1–3.2 of this study.

Two findings follow from this reconstruction. First, the reported parent-level outsourced headcount fell by more than 95% between 2021 and 2024 (3,575 to 114), a trajectory the Group's own reports frame as routine fluctuation tied to project-based "process outsourcing" (POS) demand rather than a policy shift. Second, and more consequentially for this study's central argument, at no point does any subsidiary-level outsourced headcount—for Tonasa or any other operating unit—appear anywhere in the consolidated GRI 2-8 tables across the five-year window. The 1,000–1,500 outsourced personnel documented through FPOS-ST memoranda and regional press archives at Tonasa alone are consequently never counted, by construction, within the metric SIG uses to publicly report its non-employee workforce. This is not a data omission but a disclosure-boundary choice permitted under GRI 2-7/2-8 reporting conventions, and it operationalizes precisely the mechanism this study terms **Corporate Social Decoupling** (Section 4.2, below): the formal sustainability accounting apparatus and the subcontracted labor reality at the subsidiary level occupy structurally separate reporting universes.

Spatial Politics and Ring-1 Local Labor Absorption Discrepancies

The geographic footprint of PT Semen Tonasa encompasses 11 priority villages/sub-districts within Ring-1: *Biringere*, *Bontoa*, *Mangilu*, *Taraweang*, *Bowong Cindea*, *Bulu Cindea*, *Kalabbirang*, *Samalewa*, *Sapanang*, *Bara Batu*, *Tabo-Tabo*, and *Bulutellue*. Table 6 summarizes the spatial segregation of workforce composition observed across the archival record.

Workforce Segment	Characteristics
Core / Management Level (Direct SIG / Tonasa Employees)	Filled via nationwide BUMN recruitment drives (computerized merit system) Disproportionately non-local / urban-educated technical cadres
Periphery / Subcontracted Level (Vendor Intermediaries)	>90% recruited from Ring-1 villages (Pangkep native residents) Concentrated in heavy physical, packaging, quarrying, and security roles Subject to wage freezes, lack of pension provision, and high turnover risk

Table 6. *Spatial Segregation of Workforce Composition at PT Semen Tonasa*

The archival record highlights a pronounced conflict over the *quality* versus the *quantity* of local labor absorption. On one hand, management maintains that local empowerment is fulfilled because more than 85% of total enterprise personnel and over 90% of vendor-managed labor are native residents of Pangkep Regency. Notably, this aggregate figure—unlike the comparable disaggregated, plant-level "Penyerapan Tenaga Kerja" data SIG published for its Rembang plant in the 2021 Sustainability Report—does not appear as a plant-specific, independently auditable metric in any of the four Tonasa-relevant Sustainability Reports reviewed in this study; it is documented in this archive only through corporate public statements reproduced in regional media, not through the Group's own GRI-indexed disclosures. On the other hand, community advocacy groups (AMUK, Fokmar, and local village consultative bodies) argue that this quantitative absorption represents a form of structural marginalization. Local residents bear the severe environmental externalities of limestone quarrying, clinker dust pollution, and heavy transport infrastructure degradation (notably the Tonasa II corridor), yet are structurally segregated into dead-end, low-wage outsourcing contracts with no promotional trajectory into permanent company hierarchies.

Theoretical Implications: Labor Precarity in SOE Ecosystems

The findings at PT Semen Tonasa substantiate and extend Dual Labor Market Theory (Doeringer & Piore, 1971) within the context of state capitalism in the Global South. The enterprise maintains an elite "primary labor segment"—comprising permanent, unionized employees who enjoy salaries well above the statutory minimum (up to 188% of UMP), institutionalized career development, generous healthcare coverage, and guaranteed pension benefits (GRI 201-3). In sharp contrast, the "secondary labor segment"—comprising the 1,000–1,500 outsourced workers—is subjected to wage discipline, low job security, and institutional invisibility. Table 7 summarizes the causal chain linking macro-level market pressure to the structural outcomes documented in Sections 3.1–3.4.

Stage	Description
1. Market & Macro Pressures	National cement oversupply Multinational price war (e.g., PT Conch) High thermal / electricity energy costs
2. Corporate Strategic Response	Aggressive cost-leadership policy Primary segment: preserved and protected Secondary segment: outsourced for flexibility
3. Structural Outcomes & Ground Conflict	Risk shifted to third-party vendors Allowance cannibalization to meet UMK Resistance: FPOS-ST wildcat strikes Tripartite confrontation in parliament

Table 7. *Market Pressures, Corporate Strategic Response, and Structural Outcomes at PT Semen Tonasa*

This structural bifurcation is driven by macro-level industrial competition. As documented in corporate and market reports, the cement industry in South Sulawesi faces severe oversupply and price depression resulting from the entry of foreign competitors such as PT Conch. Under strict performance mandates from the Ministry of SOEs to maintain profitability and dividend outputs, the principal enterprise deploys outsourcing as a shock absorber. By delegating operational labor to third-party vendors, the corporate parent successfully insulates its direct balance sheet from rising severance obligations, pension liabilities, and permanent payroll inflation.

The Decoupling of Corporate ESG Narrative and Labor Reality

This case illustrates the phenomenon of **Corporate Social Decoupling** (Boxenbaum & Jonsson, 2008; Jamali et al., 2017). In its annual Sustainability Reports, SIG celebrates comprehensive sustainability achievements—securing ISO 45001 certifications, Green PROPER awards, and rising corporate governance scores under the ASEAN Corporate Governance Scorecard (ACGS 92.47 in the 2023 cycle, climbing to 102 for FY2023 and 102.67—the "Leadership in Corporate Governance" tier—for FY2024, as reported in the 2024 and 2025 Sustainability Reports respectively). However, because international reporting standards (such as GRI 2-7 and GRI 2-8) permit enterprises to report direct employees separately from contractor-managed workforces, the adverse conditions experienced by outsourced workers are largely excluded from corporate sustainability performance metrics. This is not merely an interpretive gap: direct review of the four primary reports in this study's corpus (2021, 2022, 2024, 2025) shows that every GRI 2-8 "Pekerja Bukan Karyawan" disclosure carries an explicit scope note confining the reported non-employee/outsourced headcount to "PT Semen Indonesia (Persero) Tbk saja, tidak termasuk entitas anak" (the parent entity only, excluding subsidiaries) (Table 5). Under this reporting boundary, the entirety of Tonasa's 1,000–1,500-strong outsourced workforce—the population at the center of the January–February 2026 wage dispute—falls outside the metric the Group publishes as its consolidated non-employee workforce figure, even as the parent-level figure itself is reported as shrinking from 3,575 (2021) to roughly 114–150 (2023–2024) workers. Rising headline governance scores and a numerically declining parent-level outsourcing count together compose a narrative of continuous ESG improvement that coexists with, rather than resolves, an escalating and entirely unreported subsidiary-level dispute. Corporate Social Responsibility (CSR) thus functions as an externalized compensatory mechanism—distributing scholarships, village aid, and eco-park facilities—while the fundamental labor process remains deeply precarious. The same asymmetry recurs in social-license reporting: SIG's own comparative tables report a qualitative Social License Index for every other operating subsidiary in the portfolio (Tuban, Narogong, Cilacap, Lhoknga, Semen Gresik) but leave the field blank for Tonasa in every year reviewed, and omit a 2025 Community Satisfaction Index score for the unit altogether—a disclosure gap coinciding with, rather than preceding, the plant's most intense period of documented labor unrest.

Policy Interventions: Joint Liability and Local Labor Affirmation

To resolve the structural vulnerabilities identified in this study, four targeted institutional interventions are essential:

1. **Statutory Joint Liability Principle (Tanggung Renteng)**: Manpower regulatory frameworks must be amended to establish strict joint liability between principal enterprises (SOEs) and service vendors. If an intermediary vendor engages in allowance cannibalization, wage suppression below UMK scales, or non-payment of social security, the principal corporate entity must be held legally and financially accountable as a co-employer.

2. **Substantive Local Labor Regulations (Perda Ketenagakerjaan Lokal Berkeadilan)**: The Regional Government and DPRD of Pangkep Regency must formulate local ordinances (*Peraturan Daerah*) that move beyond crude quantitative quotas (>80%). The regulation must mandate mandatory transition pathways to permanent employment (PKWTT) for outsourced personnel with consecutive tenures exceeding three to five years in the same operational line, and mandatory quota reservations for local qualified candidates in permanent technical and administrative tracks.
3. **Mandatory Auditing of Subcontracting Service Contracts**: Regional Manpower Inspectorates (*Pengawas Ketenagakerjaan*) must conduct transparent, biannual audits of vendor payroll slips and service procurement agreements to ensure that statutory UMK increases represent real net gains rather than restructured deductions.
4. **Subsidiary-Level Disaggregation in GRI 2-8 and Social License Disclosures**: Given this study's finding that SIG's consolidated GRI 2-8 non-employee workforce disclosures are formally bounded to the parent entity alone, and that the Social License Index for Tonasa is left undisclosed even as it is reported for every comparator subsidiary, holding-level sustainability reporting for diversified SOE groups should be required—whether through OJK POJK 51/2017 guidance or GRI-adopter internal policy—to disaggregate non-employee/outsourced workforce figures and social-license outcomes by operating subsidiary. Absent this disaggregation, a subsidiary's outsourced workforce can expand or its community-acceptance standing can deteriorate without any corresponding movement in the consolidated ESG metrics the market and regulators observe.

CONCLUSION

This archival case study of PT Semen Tonasa illuminates the complex contradictions at the intersection of state-owned corporate rationalization, minimum wage policy implementation, and local labor absorption. The evidence demonstrates that indirect, triangular employment models create structural incentives for wage suppression, allowance cannibalization, and long-term labor precaritization. While corporate holding reports project an image of exemplary ESG compliance and community harmony, empirical archival records capture an ongoing cycle of labor unrest, collective resistance, and community alienation. The direct, five-year longitudinal review of SIG's own Sustainability Reports (2021–2025) conducted in this study shows this is not simply a matter of divergent narratives: the Group's rising governance scores and its declining *parent-level* outsourcing headcount coexist with a GRI 2-8 reporting boundary that, by construction, never captures Tonasa's outsourced workforce, and with a Social License Index that goes undisclosed for Tonasa specifically even as it is published for every comparator plant. The dissonance this study identifies is therefore not only behavioral but architectural—built into the scope conventions of the sustainability accounting framework itself.

Resolving these industrial tensions requires dismantling the institutional wall of deniability that separates principal corporations from their subcontracted workforces. For state-owned enterprises founded on constitutional mandates to advance public welfare, achieving true operational sustainability demands that fair wages, job security, and dignity in labor are extended to every worker across the production chain.

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