

Omnibus law policy and motivation's impact on employee performance at PT XYZ

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Abstract

This study aims to gain a deeper understanding of how employees perform their jobs and identify the broad legal framework that affects PT. XYZ. A diverse group of respondents participated in the saturated sampling strategy. The findings from the regression analysis show a significant correlation between the examined factors and employee performance. This regression model assesses the Omnibus Law, employee work performance, and motivation. The results of the regression tests indicate that the Omnibus Law has a considerable impact on employee performance, although with a relatively low significance level. Additionally, the motivation factor has a noteworthy positive effect on staff performance. The study's findings have key implications for PT. XYZ and similar organizations. First, the Omnibus Law's impact on employee performance highlights the need for training and compliance resources. Second, motivation and encouraging managers to establish recognition programs and career development opportunities are crucial. Lastly, the minimal impact of the Omnibus Law suggests that legal frameworks are not the sole performance influencers, prompting organizations to embrace a holistic approach that combines legal compliance with leadership support, workplace culture, and employee well-being initiatives.

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Abstrak

Penelitian ini bertujuan untuk mendapatkan pemahaman yang lebih mendalam tentang bagaimana karyawan melakukan pekerjaan mereka dan mengidentifikasi kerangka hukum yang luas yang mempengaruhi PT. XYZ. Sekelompok responden yang beragam berpartisipasi dalam strategi pengambilan sampel jenuh. Temuan dari analisis regresi menunjukkan korelasi yang signifikan antara faktor-faktor yang diperiksa dan kinerja karyawan. Model regresi ini menilai Omnibus Law, kinerja kerja karyawan, dan motivasi. Hasil uji regresi menunjukkan bahwa Omnibus Law memiliki dampak yang cukup besar terhadap kinerja karyawan, meskipun dengan tingkat signifikansi yang relatif rendah. Selain itu, faktor motivasi memiliki efek positif yang signifikan terhadap kinerja staf. Temuan penelitian ini memiliki implikasi utama bagi PT. XYZ dan organisasi serupa. Pertama, dampak Omnibus Law terhadap kinerja karyawan menyoroti perlunya sumber daya pelatihan dan kepatuhan. Kedua, motivasi dan dorongan kepada manajer untuk membuat program pengakuan dan peluang pengembangan karier sangat penting. Terakhir, dampak minimal dari Omnibus Law menunjukkan bahwa kerangka hukum bukanlah satu-satunya faktor yang memengaruhi kinerja, yang mendorong organisasi untuk menerapkan pendekatan holistik yang menggabungkan kepatuhan hukum dengan dukungan kepemimpinan, budaya tempat kerja, dan inisiatif kesejahteraan karyawan.

Kata kunci: Omnibuslaw, Motivasi, Kinerja Karyawan

Introduction

Employee performance is a process that explains how to work efficiently to achieve desired results. At the same time, the work outcomes also reflect the effectiveness of an employee's efforts (Handayani & Azizah, 2021). However, when work results indicate stagnation, a company or organization faces operational challenges that require improvement and collaboration among all stakeholders. Employees are a critical factor in business operations and should be treated as valuable assets. They must be protected and treated fairly to enhance their productivity and performance. Performance is the result or outcome of a process, and it plays a pivotal role in determining the success of an organization (Andrian et al., 2022).

PT. XYZ, a multinational company specializing in producing electronic music instruments and professional audio equipment, is experiencing a sharp decline in productivity. This decline is primarily attributed to the company's increased workload. Excessive workloads can stifle employee productivity, making it more challenging to achieve organizational goals. This highlights the importance of implementing effective workload management policies. Without proper balance, even a high volume or quality of output can lead to workplace stress and employee fatigue, ultimately reducing productivity.

PT. XYZ's mission is to become the world's leading electronic music and professional audio equipment manufacturer, with the highest daily sales globally. To achieve this ambitious goal, the company continuously strives to enhance employee productivity, recognizing that motivated and efficient employees are essential for business growth and success. One key factor influencing employee productivity is motivation. Edy Sutrisno (2017) and Indriyani and Solihin (2022) noted that work-related motivators are critical in fostering productivity and job satisfaction. By addressing motivational factors and workload management, PT. XYZ can create a more productive and sustainable work environment.

Employees at PT. XYZ may be experiencing employee motivation issues due to various phenomena occurring within the organization. In addition to incentives, laws that protect workers' rights and responsibilities, such as the Omnibus Law on Labor currently in effect, can enhance employee performance. The Omnibus Law addresses numerous aspects of employee welfare; however, some controversial provisions in the Job Creation Bill—such as those related

to wages, severance pay, contract workers (specific time work agreements/PKWT), and work relations—may negatively impact employee motivation. According to Airlangga Hartanto, the Coordinating Minister for Economic Affairs, the Omnibus Law aims to promote effective regulatory reform; however, since PT. XYZ employs many PKWT workers, and the regulations regarding work-related activities can adversely affect those employees. Many PKWT workers face challenges due to a lack of job security and protection under the law, leading to decreased motivation and productivity among employees who do not have permanent status within the company.

The topics addressed in this research have been summarized in several previous studies. Andrian et al. (2022) research analyzes how employment regulations related to the Omnibus Law affect productivity among workers in the manufacturing sector. According to their findings, flexible work contracts and pay policies benefit businesses. However, they can also diminish employee motivation, particularly among contract workers. This decline in motivation ultimately impacts overall worker performance. Further investigations by Nureda (2022) indicate that although the Omnibus Law enhances business efficiency, the work status of employees, which does not fully support a conducive working environment, leads to hesitance and uncooperativeness among workers.

Recent research by Handayani and Azizah (2021) demonstrated that boosting employee enthusiasm at work is crucial for enhancing performance. Motivated and valued employees are likelier to produce higher quality and more significant output quantities. The study indicates that workplace practices promoting employee well-being, such as offering rewards and opportunities for professional growth, can strengthen the connection between motivation and performance. Additionally, Suryanto (2022) found a direct correlation between employee motivation and work performance, suggesting that effective management can increase employee motivation and productivity. This study examines the impact of Omnibus Law policies and work motivation on staff performance at PT. XYZ. It will consider the issues raised in previous studies and investigate how these policies affect employee motivation and performance, particularly those related to contract worker status and employee welfare. Furthermore, the study will explore how work motivation can inspire employees to enhance their productivity, especially in an increasingly competitive business environment.

Theoretical framework and hypotheses

Theoretical background

Omnibus Law Policy

The Omnibus Law, also known as the Job Creation Law, aims to streamline administrative procedures for Indonesian businesses and enhance regulatory effectiveness. This comprehensive policy addresses various aspects of employment, including significant changes to labor laws, particularly those affecting contract workers. While the law simplifies processes for companies, it may inadvertently reduce motivation among contract employees due to increased uncertainty about their rights. As a result, their performance may decline (Sutrisno & Swandari, 2022; Arifin et al., 2022). Thus, the regulations introduced by the Omnibus Law directly impact worker motivation and productivity.

Specifically, the Omnibus Law has brought significant reforms to Indonesia's employment system, particularly regarding wages, employment status, and workers' rights. Research by Arifin et al. (2022) suggests that while the policy may offer greater flexibility for businesses, it could also diminish employee motivation, especially among contract workers, by restricting their

rights. This situation, in turn, may negatively affect employee performance. Based on the above arguments, the initial research hypothesis is as follows:

H₁: *Employee performance is improved by the Omnibuslaw policy.*

Work motivation

Work motivation refers to an internal drive that inspires employees to achieve specific goals at work. Highly motivated employees tend to exert more significant effort and produce higher-quality work. According to Suryanto (2022), employee performance can be improved through work motivation, which is influenced by internal and external factors, such as workplace culture and corporate policies. Soni Kurniawan and Al Rizki's (2022) research shows that motivated and valued employees will likely be more productive. Therefore, businesses must establish policies that foster high motivation levels among their workforce. Work motivation is a critical factor that encourages employees to meet company objectives. Suryanto (2022) indicates that motivated employees generally deliver superior work. Those who are highly motivated contribute more in both quality and quantity, significantly impacting the achievement of organizational goals. As a result, this study's second hypothesis is:

H₂: Workplace motivation has a positive effect on employee performance.**

Performance of employees

Employee performance refers to the outcomes an individual achieves in their job, measured by the quantity and quality of their output. According to the performance philosophy presented by Ismail Noto Wijoyo and Martinus Wahyu Purnomo (2024), various factors can influence employee performance, including workload, work environment, motivation, and organizational policies. Employees are more likely to perform at their best when motivated and in a positive work environment. The Omnibus Law regulations affect performance and employees' motivation levels. Research by Edy Sutrisno (2017) suggests that flexible rules regarding working relationships, particularly those related to contract status, may leave employees feeling less valued and secure. This, in turn, can diminish their motivation to perform at their highest level. Therefore, the third hypothesis of this study is:

H₃: The performance of employees is significantly impacted by Omnibus Law policies and motivation.

Methods

This study was conducted at PT. XYZ from August to November 2024. A Google Forms questionnaire was distributed to PT's production staff. XYZ. The data was processed using SPSS Version 25 software to examine the relationships between the variables in the study. After processing the data, a descriptive explanation of the research findings was provided. The population for this study comprised personnel from PT. XYZ in Cikarang. Although there were 1,000 potential participants, the researcher selected a sample of 91 respondents using random sampling techniques to manage the large population size.

Measures

The assessment of the Omnibus Law Policy utilizes a scale adapted from the works of Arifin et al. (2022) and Sutrisno & Swandari (2022), consisting of six items. This scale measures employees'

perceptions of the Omnibus Law's impact on job security, rights, and overall welfare. For example, one item on this scale is, "The Omnibus Law provides clarity regarding the status of contract workers." Another item states, "Since implementing the Omnibus Law, I feel more secure in my job." The Work Motivation variable is assessed using a scale containing eight items adapted from Suryanto (2022) and Indriyani & Solihin (2022). This scale measures internal and external factors influencing employees' drive to perform well at work. One example of an item from this scale is, "I am motivated to work harder when I feel valued by the company." Another item includes, "Career advancement opportunities increase my motivation to perform well." The Employee Performance variable is evaluated using a six-item scale adapted from Wijoyo and Purnomo (2024). This scale assesses the quantity and quality of work produced by employees and their ability to meet organizational goals. An example of an item on this scale is, "I consistently meet the performance targets set by the company." Another example is, "I am satisfied with the quality of work I produce."

Results and discussion

Table 1 provides descriptive statistics and correlation coefficients for the study's key variables: Omnibus Law, Motivation, and Employee Performance. The mean score for the Omnibus Law is 4.20 (on a 5-point scale), based on responses to five items, indicating a generally favorable perception among respondents. The mean score for Motivation is 3.85 (on a 5-point scale), suggesting that participants positively view Motivation as a factor influencing performance. Lastly, the mean score for Employee Performance is 3.95 (on a 5-point scale), calculated from eight items, which reflects a moderate level of satisfaction with employee performance outcomes.

Table 1.
Descriptive Statistics and Correlation Coefficients

Variable	Mean	Omnibuslaw	Motivation	Employee Performance
Omnibuslaw	4,20	1	0,650**	0,720***
Motivation	3,85	0,650**	1	0,735***
Employee Performance	3,95	0,720***	0,735***	1

***p<0,05; **p<0,01; p<0,001

Source: Data Processing, 2024

The correlation analysis indicated a strong positive relationship between perceptions of the Omnibus Law and employee performance ($r = 0.720$, $p < 0.001$). This suggests that higher perceptions of the Omnibus Law are associated with improved employee performance. Additionally, a moderate positive correlation was observed between motivation and employee performance ($r = 0.735$, $p < 0.001$), highlighting motivation's essential role in enhancing performance. Furthermore, the correlation between perceptions of the Omnibus Law and motivation was statistically significant ($r = 0.650$, $p < 0.01$), indicating that as perceptions of the Omnibus Law increase, so do motivation levels. Overall, these results emphasize the significant relationship between the Omnibus Law and motivation regarding employee performance. While the Omnibus Law demonstrates a strong effect, motivation remains critical in optimizing performance.

Regression Analysis

Table 2 presents a multiple linear regression analysis investigating the effects of the Omnibus Law and motivation on employee performance. The F-test shows that the regression model, including the Omnibus Law and motivation, significantly predicts employee performance. The F-value of 84.567 is much higher than the critical F-value of 3.10, and the p-value of 0.000 confirms that the observed relationships are statistically significant and unlikely to occur by chance. The regression coefficients indicate that the Omnibus Law positively and significantly impacts employee performance, with a coefficient of 0.442 ($p < 0.001$). Similarly, motivation significantly influences employee performance, with a coefficient of 0.629 ($p < 0.001$). These findings underscore the Omnibus Law's considerable influence and motivation in enhancing employee performance.

Table 2.

Multiple Regression Analysis and F-Test

Variable	Coefficient	t-value	p-value
Constant (a)	4,147	-	-
Omnibuslaw	0,442	10,398	0,000
Motivation	0,629	11,763	0,000
F-Statistics	84.567		
p-value	< 0.05		

Discussion

The results of the initial hypothesis test indicate that the Omnibus Law significantly impacts employee performance. Statistically, this suggests that the Omnibus Law contributes to improved performance at PT XYZ. However, it is essential to recognize that while the Omnibus Law seeks to streamline labor regulations and enhance productivity, it may also lead to unintended consequences, such as increased workloads. Excessive workloads can result in employee burnout, stress, and fatigue, ultimately hindering productivity and complicating employees' ability to meet company objectives. This underscores the necessity for policies that effectively balance workload management to sustain long-term productivity. As noted by Edy Sutrisno (2017) and Arifin et al. (2022), although labor law reforms like the Omnibus Law can enhance business efficiency, they also risk diminishing employee motivation, especially among contract workers, if workers' rights are not sufficiently protected.

Furthermore, the findings reveal that work motivation significantly influences employee performance. The statistical analysis demonstrates that work motivation positively affects employee performance at PT XYZ. Highly motivated employees are more inclined to excel, as they tend to be more efficient and productive when they feel valued and receive suitable incentives. This is supported by Suryanto (2022), who emphasizes that motivated employees generally achieve better outcomes at work. Previous studies by Handayani and Azizah (2021) further reinforce the significance of work motivation in enhancing employee performance, mainly when employers offer incentives based on employees' achievements. This perspective aligns with the views of Michael Galanakis and Giannis Peramatzis (2022), who suggest that motivational factors such as rewards and recognition directly contribute to improved employee performance,

consistent with Herzberg's two-factor theory. The findings of this study confirm that strong work motivation is a crucial driver of enhanced employee performance.

Managerial implication

The managerial implications of this research indicate that businesses must strengthen their balanced employment practices to enhance employee welfare and performance. Omnibus law policies can boost productivity by providing employment flexibility when effectively implemented. However, these policies also require safeguards for contract workers to ensure their motivation and job security. Motivation is the key to increasing workplace productivity. Therefore, companies should offer employees clear opportunities for career growth, a positive work environment, and fair incentives. Transparent employment practices with well-defined guidelines can also boost employee loyalty and involvement in achieving business objectives. Furthermore, task management must be handled carefully to maintain efficiency and prevent employee fatigue. Technology and improved work methods can enhance operational effectiveness and reduce manual workloads. Inspiring leadership and initiatives that involve employees in decision-making are essential for fostering an employee-oriented company culture by incorporating flexible omnibus law policies and strategies to boost employee engagement. PT. XYZ can create a more productive, equitable, and sustainable workplace, benefiting corporate growth and employee well-being.

Conclusion

The study's findings indicate that the performance of PT XYZ employees is significantly influenced by the Omnibus Law policy and work motivation. First, the results show that the Omnibus Law enhances worker performance. Although this policy simplifies labor laws for employers, it notably impacts workers' performance, especially contract workers. While this policy can lead to increased business productivity, it is essential to consider employee welfare to maintain high-performance levels. Second, the study demonstrates that work motivation significantly affects employee performance. Motivated employees tend to perform better and produce higher-quality output. Therefore, businesses should focus on factors such as incentives, awards, and opportunities for professional growth to enhance employee engagement. Third, results from the concurrent testing reveal that the combination of work motivation and the Omnibus Law significantly influences employee performance. A more productive workplace can be achieved by integrating employee welfare policies with appropriate incentives and encouraging workers to put forth their best efforts. Overall, the study suggests that PT. XYZ must find a balance between policies that enhance the company's operational effectiveness and those that consider the motivation and well-being of its employees. These two factors should be considered holistically to effectively and sustainably increase employee performance.

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Appendix 1

Measurement model

Variable	Indicators	Reference
Omnibus Law	1. Permit 2. UMKM 3. Employment	Mingkid et al., (2023)
Motivation	1. Salary 2. Supervision 3. Work Relations 4. Recognition / Awards 5. Success	Sinaga sarman, (2020)
Employee performance	1. Quality of Work 2. Work Quantity 3. Collaboration 4. Responsibility 5. Initiative	Mangkunegara, (2020)

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Availability of data and materials

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Competing interests

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