



## The labor absorption after the implementation of the job creation regulation using franchise instruments

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### Abstract

The development of food & beverage franchise business has significant opportunities of employment absorbing. In absorbing labor, international franchise businesses use many foreign workers. This study aims to analyze legal protection for employment in franchise businesses after the implementation of Government Regulation instead of Law (Regulation) Number 2 of 2022 concerning Job Creation. This research used normative legal research methods with statutory and conceptual approaches. The legal materials used are primary legal materials contained in laws and regulations, which is Government Regulation Number 42 of 2007 concerning Franchising, Law Number 13 of 2003 concerning Employment Jo Regulation Number 2 of 2022 concerning Job Creation. The law material analysis technique used deductive logic. Based on the results of the study showed that the opportunity for employment in the franchise business international food and beverage in Indonesia after the issuance of Regulation Number 2 of 2022 concerning Job Creation is quite large and continues to increase. This is due to the simplicity and speed of the process as well as the ease of opening a franchise business so that if many franchise business units open, jobs will be created resulting in employment absorption. In terms of the arrangement of franchise regulations in Government Regulation Number 42 of 2007 concerning Franchising, it is still based on Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation. Thus this regulation is still not maximal, incomplete, and not yet firmly stipulating regarding the absorption of labor, especially franchising in which there are foreign and local franchises. Furthermore, efforts to absorb the franchise workforce, have not been effective due to factors, such as statutory factors that are not clearly written and still overlap. Ideally, the government and the House of Representatives make a special franchise law that regulates employment, including foreign workers, and their working mechanism in detail.

**Keywords:** Labor absorption, job creation regulation, franchise

### Introduction

The difficulty to find a job due to the limited opportunities of it. Many business actor choose to open their own business, but a few business actor choose the shortcut of buying a franchise. This is a business that can run easily because it already has a system in it and there are rules that the franchisor have to obey. Franchising is one of the instruments used by the government in creating jobs to absorb the labor.

The problem of employment absorption opportunities in Indonesia currently required a collective effort from both the government and the private sector. Although the government's role in creating jobs is still lacking, the private sector has stepped in to help by providing jobs based on the required qualifications. However, it should be remembered, that even though there is involvement of the private sector, not all job seekers can be absorbed into the work field (Tri Dian April Sesa, 2016) <sup>[21]</sup>. The concept of "derived demand" comes into actor here, as increased demand for goods and services leads to the need for additional labor. This phenomenon highlights the interdependence between job creation and economic growth. As the business world develops, the demand for skilled labor also increases (Benny Prayudi *et al.*, 2019) <sup>[7]</sup>.

The government's efforts to overcome unemployment are contained in Law Number 13 of 2003 concerning Employment, at article 41 paragraph (1). The government's

commitment to overcoming unemployment through employment policies and job creation. Then, with Regulation Number 2 of 2022 concerning Job Creation, it is hoped that it can create new jobs, contained in Article 5 of Regulation Number 2 of 2022 concerning Job Creation, Employment Chapter, the explanation is that by fostering partnerships, supporting entrepreneurship, and remaining responsive to labor market dynamics, the government can open path to a thriving and resilient labor market.

The franchise term, began to be mentioned in Indonesian laws and regulations since the enactment of Law Number 8 of 2008 concerning Micro, Small, and Medium Enterprises Jo Regulation Number 2 of 2022 concerning Job Creation, in Article 26. Following up on these provisions, the Government issued the implementing of Government Regulation Number 42 of 2007 concerning Franchising. The Government Regulation emphasizes that franchising is a business that is run under a franchise agreement.

In the Regulation of the Minister of Trade Number 71 of 2019 concerning the Implementation of Franchise, there are significant changes that need several attention. The main changes are in the arrangement of agreements and the operation of franchising in Indonesia. This aims to develop and strengthen the franchise business industry so that it is more advanced. The regulation categorizes franchisors into four categories. First, the franchisor comes from abroad. Second, Advanced Franchisors who also come from

overseas Franchise. Third, Franchisees are parties who receive rights and obligations in franchise agreements from foreign franchisees. Finally, Advanced Franchisees who also come from overseas Franchise. Thus, each will enter into a franchise agreement have to refer to the provisions contained in the Government Regulation. This regulation creates a framework that supports the growth and development of franchise businesses while prioritizing the interests of the local workforce. As the industry develops, all stakeholders need to comply with these regulations and work together to create a thriving and sustainable franchise sector in Indonesia.

In these laws and regulations, indications of franchising as an instrument for absorbing labor are starting to appear, that is in Article 18, some provisions require the use of goods and services produced by small entrepreneurs and cooperation between franchise providers and recipients with small entrepreneurs as suppliers goods and services. The unemployment rate is still high at 7.99 million unemployed people. By region, unemployment in urban areas is higher than in rural areas. Unemployment in urban areas was recorded at 7.11 percent and in rural areas 3.42 percent (BPS, 2023). The use of foreign workers in Indonesia, based on data obtained from the Directorate for Controlling the Use of Foreign Workers, recorded that in June 2020 there were 90,036 Foreign Workers who were still residing and working in Indonesia (Ministry of Employment, 2023). As well as employment in franchise businesses in Indonesia in June 2022, there will be 628 thousand workers and every year franchises will grow by 5 percent (Ministry of Trade Performance Report, 2022). So that we will get answers to factors that support and factors that become obstacles in international franchising as an instrument for employment and solutions will be found.

Franchise businesses cannot be separated from labor, especially in this study which focuses on labor absorption in international franchise businesses in the food & beverage sector. Some people consider a franchise business to have a greater chance of success than if we build our own business from scratch. Success in running a franchise business depends on the cooperation that exists between the franchisee and franchisor (Valencia Prasetyo Ningrum, 2023) <sup>[22]</sup>. One of the problems that is still a labor problem in franchise businesses is the large number of foreign experts compared to local workers and the lack of jurisdiction to absorb foreign workers. There is only use of domestic products/services. So there needs to be clear and firm regulations regarding foreign workers regarding justice.

### Research methods

The method in this research is normative juridical. This research is focused on reviewing and analyzing the substance of statutory regulations on legal subjects or issues by existing legal principles (Peter Mahmud Marzuki, 2014) <sup>[17]</sup>. This writing uses primary legal materials, Government Regulation Number 42 of 2007 concerning Franchising and Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation. Secondary legal materials are obtained from library materials in the form of journals, literature, and other sources related to franchise issues, especially from a legal aspect. The approach used is

a legislative approach that is an approach to the problem by looking at it from the perspective of applicable laws and regulations, especially regarding legal protection in the Job Creation Regulation, especially franchises as an instrument in absorbing labor. The analysis uses the deductive method, which is concluding from general statements into specific statements, the major premise of laws and regulations, and the minor premise regarding franchising as an instrument in employment (Peter Mahmud Marzuki, 2014) <sup>[17]</sup>.

### Results and discussion

In the results of this research, the researcher will present the results of research on labor absorption using franchise business instruments after the enactment of Regulation Number 2 of 2022 concerning Job Creation (International Food and Beverage Franchise Study). In Law Number 13 of 2003 concerning Employment, Jo Regulation Number 2 of 2022 concerning Job Creation, it is stated that employment is the use of labor related to labor before, during, and after the period of employment. Discussions about employment are inseparable from issues of employment opportunities, labor, and the workforce. Apart from that, problems in labor absorption have factors that cause gaps in the number of job seekers and employment opportunities:

1. Lack of growth in employment opportunities
2. Irrelevance of majors/skills is the gap between majors/skills in the world of education and the world of work
3. Low quality of education (Gatiningsih and Sutrisno, 2017).

The researcher will answer the purpose of this research that has been written above, that is to help maximize employment through franchise business instruments that have legal protection, legal certainty, and practice in a strong statutory system.

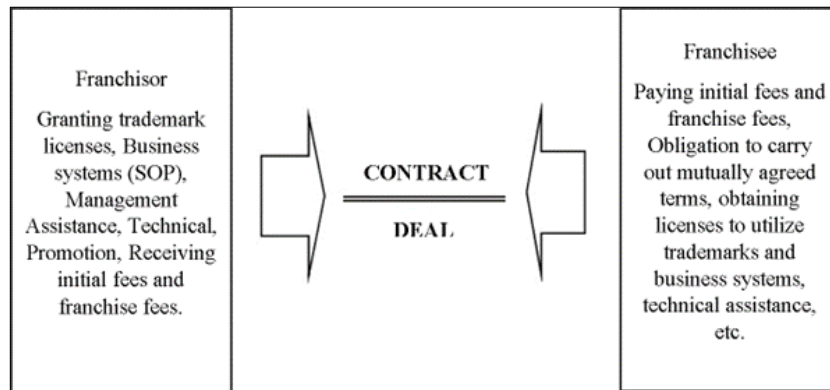
### 1. Regulations and opportunities for franchise businesses as an instrument for absorption of labor

Franchising according to (Abdul Ghani *et al.*, 2022) is a system of selling goods and services that operates based on a written contract signed between the giver and franchisee who are legally, financially, and independently separated. The franchisor and the franchisee are bound in a system where the giver grants rights to the recipient so that there is an obligation to run a business according to the franchisor's concept and business model (B. Prabu, 2022) <sup>[6]</sup>.

Strengthening the above opinion, according to the British Franchise Association (BFA) franchising is a license agreement granted by the franchisor to the franchisee which contains:

1. Gives the franchisor the right to do supervision
2. Requires franchisors to assist franchisees in doing their business by the subject of their franchise (providing training and merchandising, etc.) (Oktavi, 2013) <sup>[16]</sup>.

The way the franchise business works is on a profitable principle. In this system, there are business actor who are successful and then spread their success to other parties. The franchisor's partnership relationship with the franchisee can be described as follows:



**Fig 1:** How a franchise business works

In the way a franchise business works, it can be seen that the franchisor has a position to provide a business system in the form of standard operating procedures (SOP) and management assistance. In these two aspects, there are procedures for absorbing labor in the form of employee criteria and standards for providing rights and obligations in running a franchise business. According to Ketchen, Combs, and Upson, the main goal of business actors implementing a franchise business concept is to obtain intellectual capital and financial capital for business expansion. Franchisees are believed to have a strong commitment and responsibility to run a franchise business (Maratun Shaliha, 2016) [14].

For example, we can review the development of international franchise of food & beverage franchise businesses which are developing businesses in Indonesia and absorbing workers, including:

1. KFC has long been a major franchisee. PT Fast Food Indonesia Tbk was founded in 1978. Until the end of 2022, the KFC franchise has a total of 739 stores spread across 32 provinces, and more than 150 cities in Indonesia and has around 15,492 employees and total revenue of IDR 3,317. trillion (in charge of KFC, 2023).
2. McDonald's is the largest fast food restaurant in the world which was founded in 1955 in California, USA. In 1991, PT. RNF opened a McDonald's in Indonesia and worked as a licensed intern. In 2022, McDonald's will have 200 McDonald's outlets throughout Indonesia and 14,000 employees throughout Indonesia (McDonald's Official, 2023).
3. CFC, which is part of PT Pioneerindo Gourmet International, was founded in 1983. At the end of 2020, PT Pioneerindo Gourmet International had 318 stores that is 281 CFC stores, 10 Sapo stores, and 23 Cal Donat stores, as well as 4 Sugarkiya stores. The number of CFC employees as of September 2020 was 16,075 employees (official CFC 2023).
4. Starbucks is part of PT Map Boga Adiperkasa (MBA). Currently, MBA has more than 700 stores spread across 44 cities in Indonesia. Until the end of 2022, the number of company employees is 7,681 people (PT Map Boga Adiperkasa Tbk, 2023).

The franchise described above has been around for a long time in Indonesia and has developed rapidly by opening outlets and creating jobs. The figure for employment is 628 thousand workers done by franchise businesses in Indonesia. If you look at the four foreign franchises above, KFC has 15,492 employees, MC donald's has 14,000

employees, CFC has 16,075 employees, and Starbucks has 7,681 employees, this is an illustration of how large the employment opportunity is in the franchise business sector. The more franchise businesses, the greater the opportunity to create employment. If you look at the development of KFC, McDonald's, CFC, and Starbucks, which are widely spread in large urban areas, this is not enough to be a good solution for absorbing workers in villages. So it needs an in-depth study so that this franchise can enter all parts of the country of Indonesia. The franchise above has been proven to be global and can improve the climate for labor absorption in Indonesia, where Indonesia has problems absorbing labor so it has to use foreign workers. One of the problems is the quality of human resources. Simply put, the quality of human resources will affect the quality of work (Matutina, 2001). The quality of human resources refers to:

1. Knowledge is employee abilities that are oriented towards intelligence thinking power and mastery of broad knowledge.
2. Skills are operational technical abilities and mastery in a particular field.
3. Abilities are abilities formed from several competencies possessed by an employee which include loyalty, discipline, cooperation, and responsibility (Gatiningsih and Sutrisno, 2017).

The existence of the franchise business concept as a form of business development has received attention from entrepreneurs who intend to develop their businesses internationally (Atmoko, 2019). The juridical regulation regarding the implementation of franchise agreements in Government Regulation Number 42 of 2007 concerning Franchising is written in Article 5 of the Franchise Agreement containing at least clauses.

- a. The names and addresses of the parties;
- b. Types of Intellectual Property Rights;
- c. Business activities;
- d. The rights and obligations of the parties;
- e. Assistance, facilities, operational guidance, training, and marketing provided by the Franchisor to the Franchisee;
- f. Business area;
- g. Duration of the agreement;
- h. Procedure for payment of rewards;
- i. Ownership, change of ownership, and rights of heirs;
- j. Dispute resolution; And
- k. Procedures for extending, terminating, and terminating the agreement.

To be able to implement a franchise agreement, it is best to refer to the provisions of Article 1320 of the Civil Code regarding the conditions for the validity of an agreement: 1) There is an agreement between the parties; 2) The competence of the parties in law; 3) A certain thing; 4) Halal reasons. An agreement requires an agreement, as the first step in making an agreement valid, followed by other conditions. Once the agreement is executed, the agreement will apply as law for the parties (Hudiarini *et al.*, 2018) <sup>[11]</sup>. In implementing the franchise agreement, international franchises should refer to the government regulations above so that there can be legal equality between franchise activity actors, showing that there is an equal level, there is no difference in nationality, wealth, power, position, etc. (Ferawati Burhanuddin, 2021) <sup>[8]</sup>.

Thus we should also review the development of the partnership model in the franchise agreement. (Guo Shiau Ling, *et al.*, 2023) <sup>[9]</sup> developed a partnership model, especially partnerships in successful franchise businesses based on trust and commitment. This model explains that benefits can be obtained from franchise partnerships, when supported by relational contracts, the relationship is bound by dynamics that flow from mutual trust and commitment (Guo, 2023) <sup>[9]</sup>. Preliminary discussions regarding the drafting of a franchise agreement will also have a lot to do with it. Apart from that, designing a good and correct initial contract, will of course avoid legal disputes or disputes for both parties in the franchise business later (Atmoko, 2022) <sup>[4]</sup>.

A franchise agreement, as already mentioned, is an unregulated or innominate agreement because it is not regulated by certain laws. For the implementation of this contract, the provisions of Civil Law apply (Velentzas & Broni, 2013) <sup>[23]</sup>. Mariam Darus Badruzaman quoted by Salim HS in his book defines anonymous agreements as follows: "Agreements that are not regulated in the Civil Code but exist in society. This is based on the freedom to enter into agreements or the autonomy of the parties interested in the agreement. The legal basis for anonymous agreements is regulated in Article 1319 of the Civil Code which reads as follows: "All agreements, whether specifically mentioned or not specifically mentioned, are subject to the general rules contained in this chapter and other chapters" (Tanaya *et al.*, 2021) <sup>[20]</sup>. Apart from that, this agreement is based on the principle of freedom of contract, especially the signing of agreements as regulated in Article 1338 of the Civil Code.

The development and existence of a franchise business have proven successful with the implementation of business cooperation with agreements. However, it needs to be improved and needs to be considered about employment absorption so that it prioritizes the absorption of Indonesian workers. There is a need for special arrangements in implementing agreements and external protection that is the existence of statutory jurisdiction (Moch Isnaeni, 2016). Considering that government regulations regarding franchising do not contain the interests of employment. In practice, the legal form of this franchise (legal point of view) is specified in the contract agreement. According to many opinions, franchising does not require special terms agreements, or legal structures to regulate franchising. Therefore, there have to be at least an effort to explain to outside parties that there is no need for special regulations for existing or existing franchise companies. The more

important aspect of a franchise business is the form of development so that it can develop quickly in the field of economic growth (Khairandy, 2019).

In line with this argument, Levita Ginting Supit, Chair of the Indonesian Franchise and Licensing Association (WALI), said that from a regulatory perspective, there are more and more franchise businesses in Indonesia and foreign franchise companies are starting to come to Indonesia. This is done, Currently, the person responsible together with the government, that is the Ministry of Trade, is trying to review government regulations so that they can better support franchising in Indonesia. This also aims to ensure that foreign franchises that enter Indonesia do not harm local franchises (Hudiarini *et al.*, 2018) <sup>[11]</sup>.

There are several structural problems related to labor absorption, in terms of statutory regulations and state institutional structure, that is the Ministry of Trade which until now has solidly regulated franchises, and the Ministry of Employment which regulates labor. Seeing the widespread growth of international (foreign) franchises which dominate over local franchises. This requires special attention so that foreign franchises do not harm local franchises. Since the enactment of franchise regulations in 2007, it has been 16 years since there have been no changes regarding franchise regulations specifically. This is a bad thing due to the increasingly rapid progress of the business world and the dynamics of labor absorption in Indonesia which are increasingly challenging.

Labor absorption (Kuncoro, 2002) is the number of jobs occupied by a large workforce. The working population is absorbed and spread across various sectors of the economy. The absorption of the labor force is due to the demand for work. Therefore, it can be said that going to work represents a demand for work. By using this theory in absorbing labor from franchise businesses, growing franchises will likely need and create jobs so that they can absorb labor to support the Indonesian economy. It is best to review regulations to create good legal protection. Considering that franchising in 2023 will be dominated by foreign franchises, foreign franchises will implement and bring the business system from the country the franchise originates from. So it needs human resources who have expertise in running the franchise. Indonesia have to be prepared for this situation so that there is good anticipation in preparing for developments and developing franchise business opportunities.

## 2. Ideal franchise settings as an instrument for labor absorption

Reform of laws and regulations in the framework of legal development is urgently needed because, without reform and development of laws and regulations that are by the needs of the community, it will certainly cause inequality and can even hinder national development (Kamah Pitriyantini, 2020). We will review the franchise agreement after the enactment of Regulation Number 2 of 2022 to create jobs. Job Creation Regulation is a product of statutory regulations which contains more than one material, questions, and topics. The government claims that the design of the Job Creation Regulation policy has simplified overlapping regulations in the economic sector to create convenience because it brings in many investors and jobs and boosts the Indonesian economy by absorbing labor (Aziz *et al.*, 2022) <sup>[5]</sup>. The aim is to overcome domestic regulatory problems, especially the problem of over-

regulated regulations and overlapping regulations (Marzuki, 2021) <sup>[15]</sup>.

As a principle of legal supremacy, the Indonesian people call on the government to improve and do quality administrative work based on this principle. One of the ideals of the Indonesian state's struggle is to build a just and prosperous society based on Pancasila and the 1945 Constitution of the Republic of Indonesia. By national development goals, the realization of social justice for all Indonesian people.

Legal reforms by the government are necessary to meet the needs of people's lives. The harmonization of laws and regulations implemented through the omnibus legislative method is a welcome innovation, but that does not mean it is not without criticism. Not only does the formation process seem very fast and full of political elements, but the content related to investment and entrepreneurship has also received criticism (Prasetyo, 2021) <sup>[18]</sup>. Then this omnibus law was replaced with Regulation Number 2 of 2022 concerning Job Creation.

Labor absorption is starting to be helped by the increasing development of franchise businesses, thereby creating job opportunities. Franchise businesses are generally labor-intensive so legal certainty and efforts to regulate, foster, and develop franchises are an increasingly urgent need. The development of franchising in Indonesia will help the government overcome the problem of unemployment because franchising absorbs a lot of workers. The absorption of franchise labor is closely related to capital investment, especially Foreign Investment (PMA) and Domestic Investment (PMDN), because franchising is a form of capital investment that involves obtaining a business scheme designed by another party (Linda Rachmain, 2019).

The dynamics of franchising in Indonesia are currently growing as seen from the enactment of Law Number 8 of 2008 concerning MSMEs. The Franchise Regulations are still based on the MSME Law in Article 26 and Article 29. The Government Regulation Number 42 of 2007 concerning Franchising was implemented. This Government Regulation is the implementing regulation of the law above. Then the enactment of Permendagri Number 71 of 2019 concerning the Implementation of Franchising. This regulation is an implementing regulation of Government Regulation Number 42 of 2007 concerning Franchising. From all legal sources for franchise implementation, it can be concluded that there is no jurisdiction in the Law, Government Regulations, and Ministerial Regulations regarding labor absorption, especially the use of foreign workers and mechanisms for the use of foreign workers, after the enactment of the job creation regulation. There has been no change and the interests of the franchise have not been accommodated in the work copyright law. Job Creation Regulation has an interest in ease of investing, especially foreign investment (PMA). Even though international franchising is a foreign investment (PMA), there have to be jurisdiction regarding franchising. Considering that foreign franchises dominate in Indonesia, there should be strict jurisdiction or special franchise laws. Ideally, there is a Special Franchise Law, such as the developed countries of the United States, Australia, and Malaysia, which already have special franchise rules.

The employment aspect of foreign franchises in Indonesia has enormous human resources. Indonesia's very large population is one of the main assets for development.

Therefore, steps and caution have to be taken so that the large human resources are truly beneficial for development. The relationship between franchises and Employment Law Number 13 of 2003 Jo Regulation Number 2 of 2022 concerning Job Creation has an important role in ensuring the socio-economic status of the workforce and guaranteeing the basic rights of workers. The relationship between the franchisee and the franchisee, which is based on a contractually executed contract for a certain period, is a commercial relationship regulated by commercial and civil law. However, it is known that opening a franchise usually requires or employs labor. In this case, labor law considerations arise in the franchise business system. The relationship between the franchisee and the employee is an employment relationship between the employee and the employer which is regulated in the employment contract by applicable regulations (Juari Sumardi, 2020) <sup>[13]</sup>.

There are human resources specifically for managing franchise businesses. In franchising practices, there is usually a Standard Operational Procedure (SOP) for recruitment or employment and continuous training (Masruron *et al.*, 2023). The hope is that the franchise will be able to absorb workers. Then it can help the country so that its citizens can live a decent life. Based on Article 27 Paragraph 2 of the 1945 Constitution states "Every citizen has the right to work and a decent living" (Preamble to the 1945 Constitution, Article 27).

Employment Law Number 13 of 2003 covers permits, work plans, obligations, prohibitions, and sanctions on the use of foreign workers in connection with expanding employment opportunities. There is still overlap because there are many rules and processes that are not fast. In creating jobs in Peru, there are changes to Article 42 Use of Foreign Workers, Article 45 Obligations, and Article 47 Compensation. Foreign workers can be employed in Indonesia only on a contract basis for a certain task and time and have qualifications appropriate to the tasks to be done. Foreign employees are not allowed to work in positions similar to staff. Provisions regarding certain obligations and certain times according to paragraph 4 of this Part are regulated by government regulations. The explanation, TKA have to be guided by local wisdom and adapt to the territory of Indonesia. TKA have to have special expertise to be used in companies. If local workers are used for general skills, then foreign workers can be used for some or a higher level. The business world have to be honest about the use of foreign workers, especially visas. Administrative and criminal sanctions may be imposed if proven not to follow procedures. Procedures for using labor, that is having to provide partners, train Indonesian foreign workers, and provide social security (Regulation Number 2 concerning Job Creation).

Government Regulation Number 33 of 2013 concerning Expansion of Job Opportunities Article 41 of Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation. This Government Regulation is the implementing regulation of the law above that is the expansion of job opportunities given to the private sector and business entities. Legal protection and certainty already exist and the hierarchy is based on the laws above it. In Articles 39-41, there is no change in the work copyright law which is still the same as Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation.

Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers is an implementation of Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation. In Article 42 Paragraph (6) and precisely in Article 80, changes to Article 42 of Law Number 13 of 2003. In this section, TKA employers are not required to make RPTKA and there are several exceptions; to directors or officers with certain characteristics or shareholders by statutory regulations; Diplomatic and consular staff of foreign missions; Employers need foreign workers for production operations who are hired due to the crisis, Tech-based startup jobs or company visits.

A TKA can only be employed by a TKA employer in an employment relationship in a certain position and for a certain period and has the qualifications for the position to be filled. The duties of certain TKA as intended in paragraph (1) are determined by the Minister after receiving input from the relevant ministries/institutions.

Overall, the Job Creation Regulation Chapter IV Employment is about making it easier for the private sector and business entities to do business activities so that jobs will be created. The labor law has been amended by the work copyright law. Ideally, there would be guidance and supervision by the Ministry of Employment and the Ministry of Immigration in the use of foreign workers to prioritize local workers. This ministry should work together with the Ministry of Trade and the Franchise Association to create maximum employment in the franchise sector. The facts in the field are that there are still many problems with the use of foreign workers, such as the use of foreign workers at lower levels or so-called unskilled workers who do not have skills. Ideally, the government will do routine supervision and guidance so that the Job Creation Regulation can be maximized.

To be able to run a franchise business, new regulations are needed to regulate it. Franchising makes a significant contribution because it not only solves the country's economic problems but also contributes to solving employment problems (unemployment). In line with the important role of entrepreneurship in economic development, so is the contribution of franchising as a form of entrepreneurship itself. There are several reasons why franchising has had a significant impact on the economies of various countries. This includes that franchisees have historically been known to accommodate a workforce, be more innovative, and make significant contributions to large companies.

Government initiative to advance franchising in Indonesia through the Job Creation Regulation. Indonesia still experiences complex licensing problems and overlapping regulations at the central and regional levels. Therefore, the government is trying to overcome this problem through job creation programs. One of the materials regulated is about comfort, protection, and empowerment. The government hopes to solve this problem through job creation assistance (Aryadi & Hosein, 2022).

According to Bambang N. Rachmadi, it is necessary to arrange a special franchise agreement for local franchisees. Because not all franchisors have a good reputation in the franchise business. Some franchisors are less professional, cheat/cheat, default, or provide false information. As a result, disputes arise between the franchisor and the franchisee, and the termination of the contract develops into a lawsuit. Therefore, to avoid misunderstanding, the

agreement have to have clear rights and obligations as well as a common understanding of the main points of the agreement (Imanullah, 2012).

In addition, franchise regulations and franchise agreements have to include establishing a comprehensive ongoing communication and support system between the franchisor and the franchisee, including;

1. This training is designed so that the franchisor can run his business by the franchisor's standard operating procedures. Therefore, franchise owners usually decide what activities they need to offer: training, training duration, training location, and training costs.
2. Employment of Employees and Workforce. This clause states that all employees of the franchisee are employees of the franchisee. Because there is no connection with the franchisor, there are no third-party claims directed at the franchisor regarding the behavior of the employee or the employee.

Explanations of franchising as an instrument for employment have to look at the franchise agreement. Both parties have to pay careful attention to what is agreed upon. The absence of legal provisions that specifically regulate franchise contracts in Indonesia has forced the Indonesian government to have policies to promote and develop this franchise business and its legal aspects (Munthe & Bara, 2022). With the explanation above, the ideal franchise setting have to have:

1. Legal protection and legal certainty for franchises are in Government Regulation Number 42 of 2007 and it's implementing regulations, Permendagri Number 71 of 2019, but this has not yet accommodated the mechanism for absorbing labor in franchise businesses.
2. This labor absorption mechanism was added so that foreign and local franchises could maximize labor absorption. This is still based on Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation.
3. If the Job Creation Regulation has a mention and legal goal of creating jobs and absorbing labor then this needs to be detailed and explained in more detail in Government Regulation Number 42 of 2007 concerning franchising.
4. If protection for the use of labor is included in government regulation Number 42 of 2007, it is necessary to add several things regarding the implementation and mechanisms for protecting labor absorption in franchise businesses as a form of external legal protection.
  - a. Definition of labor absorption
  - b. The principle of labor absorption
  - c. Provisions for the implementation of labor absorption
  - d. It is necessary to regulate the provisions of the rights and obligations of the subject regarding employment in the franchise business
  - e. Provisions are needed that regulate compensation and sanctions in the process of absorbing foreign workers if things happen that do not comply with procedures for absorbing workers.

This regulation only provides legal protection and convenience for franchise businesses in doing business activities, not by absorbing labor in franchise businesses. No

jurisdiction becomes legal protection in absorbing local workers in entering into franchise agreements. It could be said that franchising as an instrument for employment is still not optimal and effective with the implementation of the Job Creation Regulation. However, there are conveniences for conducting franchise business activities.

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### Conflict of interest

Declare a conflict of interest and state "The researcher declares no conflict of interest."

### Conclusion

Based on the results of the analysis above, it is concluded that it has not been implemented optimally, both the provisions contained in the statutory regulations and their implementation. It is proven that the regulatory provisions regarding franchising have not been fulfilled and that the Job Creation Regulation has also not been fulfilled. The Job Creation Regulation does not expressly and in writing regulate the legal protection of franchises as an instrument for employment. Law Number 13 of 2003 in conjunction with Regulation Number 2 of 2022 concerning Job Creation Chapter IV employment as well as Government Regulation Number 42 of 2007 concerning Franchising, there are gaps and lack of comprehensiveness in the jurisdiction of legal protection. Legal protection for franchise givers and recipients has been accommodated in Law Number 20 of 2008 in conjunction with Regulation Number 2 of 2022 concerning Job Creation, which exists only as a form of legal protection in the form of convenience for doing business activities. Does not include external legal protection by making written rules the ideal franchise agreement mechanism. The recommendation would be for Indonesia to make special laws regarding franchising like developed countries, those are the United States and Malaysia.

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