

# THE IMPACT OF THE OMNIBUS LAW ON JOB CREATION ON THE INVESTMENT CLIMATE IN INDONESIA

Adinda Noviandra<sup>1</sup>  
Universitas Balikpapan

Syabrina Aulia Handoyo<sup>2</sup>  
Universitas Balikpapan

Lintang Satyatama Siswoko<sup>3</sup>  
Universitas Balikpapan

Correspondence : Adinda Noviandra (adindanoviandra10@gmail.com)

Submitted : 10-10-2025, Accepted : 12-11-2025, Published : 10-12-2025

## Abstract

This study aims to analyze the impact of Law Number 11 of 2020 concerning Job Creation (UUCK) on the investment climate in Indonesia, particularly in terms of legal certainty, regulatory consistency, and implementation effectiveness. Using a juridical-normative approach, this study examines substantive changes in the investment legal system, which was previously characterized by overlapping regulations, inefficient bureaucracy, and low legal predictability. The results show that the UUCK brought major reforms through the implementation of risk-based business licensing (OSS-RBA) and the simplification of various cross-sectoral provisions that have hampered the ease of doing business. However, the effective implementation of the UUCK still faces several obstacles, particularly related to disharmony in implementing regulations, unpreparedness of local governments, and uncertainty in the interpretation of new norms. Therefore, improving inter-agency coordination, harmonizing regulations, and strengthening bureaucratic capacity are crucial factors for investment reforms through the UUCK to truly create a stable, competitive investment climate with strong legal certainty.

**Keywords:** Omnibus Law, Job Creation, Investment, Legal Certainty.

## Introduction

Sustainable economic growth and job creation are two primary goals of national development in Indonesia. In achieving these goals, investment plays a strategic role as a driving force of the national economy. Investment, whether originating from Domestic Direct Investment (PMDN) or Foreign Direct Investment (PMA), serves not only as a source of development financing but also as a means of technology transfer, increasing competitiveness, and expanding employment opportunities. Legally, investment can be defined as the activity of investing capital carried out by an investor to a recipient of capital with the aim of obtaining future profits, regulated within a national legal framework to create certainty and protection for all parties

involved.

Since the New Order era, Indonesia's investment legal system has developed in a dualistic manner. Regulations governing foreign and domestic investment operate separately through Law Number 1 of 1967 in conjunction with Law Number 11 of 1970 concerning Foreign Direct Investment and Law Number 6 of 1968 in conjunction with Law Number 12 of 1970 concerning Domestic Direct Investment. This separation created differences in legal treatment and investment bureaucracy between foreign and domestic investors. In response to the need for legal harmonization, the government then enacted Law Number 25 of 2007 concerning Investment, which aims to unify the national investment legal framework, create a conducive investment climate, and provide equal legal certainty for all investors, both domestic and foreign.

However, despite having a relatively comprehensive legal basis, Indonesia still faces various challenges in creating a truly efficient and attractive investment climate. One major problem is the phenomenon of hyper-regulation, namely the overlapping of various regulations from the central to regional levels, which creates legal uncertainty and lengthens the investment bureaucratic process. This condition causes high economic costs and slows investment realization. Unsurprisingly, Indonesia's Ease of Doing Business index in recent years continues to indicate the need for significant improvements in terms of ease of doing business, transparency, and licensing effectiveness.

In an effort to address these structural obstacles, the government then issued Law Number 11 of 2020 concerning Job Creation (UUCK), drafted using the Omnibus Law method. This approach allows the government to revise, simplify, and harmonize various cross-sectoral laws within a single legal framework. The primary objective of the UUCK is to improve the investment ecosystem, increase ease of doing business, and reduce overlapping regulatory burdens. One important innovation introduced through the UUCK is the risk-based licensing system (Online Single Submission Risk-Based Approach/OSS-RBA), which is expected to create administrative efficiency and accelerate the investment process.

However, the implementation of the UUCK is not without challenges and controversies.

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The Omnibus Law concept, which amends and revokes hundreds of articles from various laws, raises new issues related to legal stability and predictability. Such significant changes to norms in a short period of time can trigger confusion in implementation, both among business actors and local government officials who spearhead policy implementation. Consequently, although the UUCK embodies the spirit of legal reform, its implementation has the potential to create new uncertainties if not accompanied by consistent and effective synchronization of derivative regulations.

The success of the Job Creation Law (UUCK) in improving the investment climate ultimately depends heavily on the government's ability to maintain consistency, transparency, and legal certainty. For investors, legal certainty is a fundamental element in long-term business decision-making. Without stable and predictable legal guarantees, investor confidence will decline, and the primary goals of regulatory reform will be difficult to achieve.

Therefore, this research is crucial to critically examine how the implementation of the Job Creation Law impacts legal certainty in the investment sector. This analysis is expected to provide academic and practical contributions to the development of a national investment legal system that is not only regulatory efficient but also ensures Indonesia's sustainability and credibility as a competitive investment destination globally.

## **Methods**

This research uses a juridical-normative approach to analyze the extent to which the shift in investment regulatory paradigms culminating in the enactment of Law Number 11 of 2020 concerning Job Creation (UUCK) has impacted the stability and predictability of the investment climate in Indonesia. This approach focuses on examining applicable legal norms, both in the form of laws and regulations and the legal principles that form the basis for the formation of national investment policy.

The juridical-normative method was chosen because this research does not aim to collect empirical data from the field, but rather to analyze legal substance conceptually and systematically. This type of research utilizes legal materials as the primary object of study to

examine the alignment between investment legal theory and its implementation practices following the enactment of the UUCK.

The type of data used in this study is secondary data, consisting of:

1. Primary legal materials, namely laws and regulations directly related to investment, such as Law Number 25 of 2007 concerning Investment, Law Number 11 of 2020 concerning Job Creation and its implementing regulations, and various technical regulations from the Ministry of Investment/Investment Coordinating Board (BKPM).
2. Secondary legal materials, in the form of scientific literature, books, legal journals, academic articles, and previous research results relevant to the theme of investment law reform and the implementation of the Omnibus Law method in Indonesia.
3. Tertiary legal materials, such as legal dictionaries, encyclopedias, and credible online sources that help clarify understanding of the legal terminology and concepts used.

Data collection techniques were conducted through library research by reviewing and interpreting various legal sources and relevant literature. The data obtained were then analyzed using a descriptive-analytical method, namely by describing applicable legal provisions and analyzing their implications for the national investment climate.

Furthermore, the analysis was conducted focusing on three main aspects:

1. Regulatory consistency, to assess the extent to which the UUCK has eliminated overlapping regulations.
2. Legal certainty, to identify whether regulatory changes create uncertainty or enhance predictability for investors.
3. Implementation effectiveness, to measure whether the new legal system has increased investor confidence and supported a stable and competitive investment climate.

Therefore, this research method is expected to provide an objective and argumentative overview of the impact of legal reform through the UUCK on the certainty and stability of investment law in Indonesia.

## Results and Discussion

Prior to the enactment of Law Number 11 of 2020 concerning Job Creation (UUCK), Indonesia's investment legal framework had evolved from a dualistic system to a unified one. In the early period, the investment legal system regulated Foreign Direct Investment (PMA) and Domestic Direct Investment (PMDN) separately. This was reflected in two main regulations: Law Number 1 of 1967 in conjunction with Law Number 11 of 1970 concerning Foreign Direct Investment, and Law Number 6 of 1968 in conjunction with Law Number 12 of 1970 concerning Domestic Direct Investment.

This dualistic system, while effective in attracting investment following the economic crisis of the New Order era, was deemed to have created complexity and discriminatory legal treatment between domestic and foreign investors. To address these challenges, the government issued Law Number 25 of 2007 concerning Investment (UU PM), marking the unification phase of national investment law. This law affirms the principle of national treatment, or equal treatment for all investors, both foreign and domestic, and introduces a One-Stop Integrated Service (PTSP) mechanism to simplify licensing bureaucracy.

However, in practice, Law 25/2007 has not fully addressed the hyper-regulation and overlapping sectoral regulations emerging from various institutions and levels of government. This situation creates legal uncertainty and hinders the effectiveness of investment policies. As a result, Indonesia's ease of doing business lags behind other ASEAN countries. The stability and predictability of the investment climate depend on three main factors:

- (1) consistency and clarity of legal norms (legal certainty),
- (2) efficiency of bureaucratic procedures, and
- (3) effective legal protection for investors. In this context, the greatest weakness of the pre-UUCK investment legal system lay in its convoluted bureaucracy and asynchronous regulations across sectors.

In response to these problems, the government took a radical step by implementing the Omnibus Law method with the enactment of the UUCK in 2020. This approach allows for the

simultaneous amendment, deletion, and addition of provisions in dozens of laws within a single, integrated legal framework. According to Bryan A. Garner in *Black's Law Dictionary* (Ninth Edition), the term Omnibus means relating to or dealing with numerous objects at once; including many things or having various purposes. When associated with law, Omnibus Law can be interpreted as an umbrella law that regulates various aspects in one law to simplify a scattered and inefficient legal system.

The transformation of investment law following the Omnibus Law on Job Creation is marked by a paradigm shift from permit-based licensing (as stipulated in Law 25/2007) to Risk-Based Business Licensing (OSS-RBA). This system is regulated by Government Regulation Number 5 of 2021 concerning the Implementation of Risk-Based Business Licensing, which divides business activities into four risk categories:

1. Low risk,
2. Medium-low risk,
3. Medium-high risk, and
4. High risk.

Through this system, every business actor is only required to have a Business Identification Number (NIB) and, depending on the risk level, a standard certificate or additional business permit. This OSS-RBA model significantly streamlines administrative procedures and reduces official discretion, thus improving procedural stability, time efficiency, and investment predictability. However, the implementation of the UUCK still faces challenges, particularly in inter-agency coordination and technical adjustments at regional levels. Some regions have not yet fully and consistently adopted the OSS-RBA system, leading to variations in practice on the ground. Furthermore, massive changes to legal norms have also created confusion among business actors regarding the interpretation of new provisions.

Thus, the Job Creation Law (UUCK) brings significant changes to Indonesia's investment legal system, both in normative and procedural aspects. This reform seeks to strike a balance between ease of doing business and legal certainty. However, its effectiveness still depends

heavily on consistent implementation, strong oversight, and updates to implementing regulations that align with the spirit of legal simplification. Based on an analysis of various laws and legal literature, it is clear that Law Number 11 of 2020 concerning Job Creation (UUCK) brings fundamental changes to the investment law paradigm in Indonesia. This regulatory reform substantially aims to create a more conducive investment climate through simplifying licensing, harmonizing cross-sectoral regulations, and increasing legal certainty for investors.

### **1. Paradigm Shift in Investment Regulation**

Before the enactment of the UUCK, Indonesia's investment legal system was considered complex and bureaucratic. The numerous overlapping sectoral regulations between the central and regional governments created administrative barriers that reduced national investment competitiveness. The UUCK introduced an Omnibus Law approach that integrates and simplifies various provisions previously scattered across dozens of laws. One of the most significant changes is the implementation of a risk-based business licensing approach, operated through the Online Single Submission (OSS-RBA) system. This scheme allows low-risk businesses to automatically obtain business permits upon registration, while high-risk businesses still require strict requirements and government oversight. This approach accelerates the investment process while maintaining a balance between ease of doing business and legal responsibility.

### **2. The Impact of UUCK on the Stability and Predictability of Investment Law**

Theoretically, the UUCK is expected to strengthen the principle of legal certainty by restructuring the regulatory framework, which has been characterized by overlapping regulations. However, studies show that in practice, the implementation of the UUCK has not fully provided legal certainty and predictability for investors.

First, the numerous changes and revocations of legal norms in a short period of time have created uncertainty in interpretation among law enforcement and business actors. Some implementing regulations were even issued after the specified deadline, creating a temporary legal vacuum.

Second, coordination between the central and regional governments continues to face

technical challenges in implementing the OSS-RBA system. This results in differences in understanding and implementation of licensing in the field, potentially creating new uncertainty. Third, from the perspective of foreign investors, legal reforms through the UUCK demonstrate the government's good intentions in improving the investment climate. However, regulatory instability and frequent policy changes continue to hamper long-term investor confidence.

### **3. Implications for the Principles of Legal Certainty and Protection**

Within the investment law framework, legal certainty and legal protection are two fundamental, interrelated elements. Legal certainty provides investors with a sense of security in conducting their business activities, while legal protection ensures that their rights are not easily violated due to policy changes.

The analysis shows that the UUCK, despite its aim of creating efficiency and simplification, still leaves room for uncertainty due to overlapping authority between institutions, differing interpretations of new norms, and sudden changes to derivative provisions. As a result, some business actors still face difficult-to-predict legal risks. Nevertheless, conceptually, the UUCK remains a progressive step in the effort to modernize investment law. The success of this reform will depend heavily on consistent implementation, clarity of implementing regulations, and strengthening of the legal oversight system so that the changes made are not merely formal, but also substantive and sustainable.

### **4. Challenges and Future Prospects**

Going forward, the biggest challenge in implementing the UUCK will be maintaining a balance between facilitating investment and legal protection. The government needs to ensure that regulatory reforms emphasize not only deregulation but also strengthen the principles of good governance, transparency, and accountability. Improving the capacity of government officials to understand the substance of the new law, as well as synergy between the central and regional governments, are crucial factors in ensuring consistent investment policies and avoiding multiple interpretations. Furthermore, professional and independent law enforcement is necessary to ensure investors feel protected from administrative and political uncertainty.

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Thus, these findings and discussion demonstrate that while the UUCK embodies the spirit of major reforms in the investment sector, its effectiveness in creating legal stability and predictability still requires strengthening implementation on the ground. Continuous policy harmonization is necessary to truly achieve the primary objective of reform, namely creating a fair, transparent, and globally competitive investment climate.

## **Conclusion**

Based on an analysis of the shifting paradigm of investment regulation in Indonesia, it can be concluded that Law Number 11 of 2020 concerning Job Creation (UUCK) has brought about a fundamental transformation in the national investment legal system. The UUCK replaces the cumbersome conventional licensing model with a Risk-Based Business Licensing System (OSS-RBA), which aims to increase efficiency, transparency, and procedural certainty for investors. This reform also marks a shift from overlapping sectoral regulatory systems to a more integrated legal system that adapts to global investment needs.

Prior to the UUCK, Indonesia's investment legal system remained mired in bureaucratic complexity and regulatory inconsistencies, despite Law Number 25 of 2007 providing a foundation for unifying Domestic Investment (PMDN) and Foreign Investment (PMA). The main weaknesses during this period lay in inconsistent norms, slow licensing processes, and low legal predictability. The UUCK seeks to address these issues by simplifying cross-sectoral regulations and unifying licensing procedures under a single national digital system.

However, the effectiveness of the UUCK still faces challenges, particularly in the implementation phase. Differences in local government capacity, bureaucratic resistance, and overlapping implementing regulations are factors that have the potential to reintroduce legal uncertainty. Therefore, guaranteeing legal stability, regulatory consistency, and policy sustainability are key requirements to ensure that investment law reform through the UUCK is truly capable of creating a conducive, stable, and highly competitive investment climate.

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