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TRI-SOLVE: Tripartite Mechanism to Resolve Industrial Disputes, Safeguard Labor, and Investment in Indonesia

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Abstract	In recent years, termination of employment has become a major issue in industrial relations disputes in Indonesia. This is a serious concern due to its direct impact on the national economy, such as rising unemployment. These disputes occur across various sectors, including between investment companies and their workforce. In such situations, the government plays crucial role in resolving conflicts, particularly through the tripartite mechanism. This mechanism is regulated in Article 11 paragraph 2 of Law No. 25 of 2007 on Investment, and its procedural details are outlined in Law No. 2 of 2004 on the Settlement of Industrial Relations Disputes. This mechanism, involving representatives from government, employers, and workers, is effective in minimizing workplace conflicts that could potentially disrupt business operations, especially in foreign investment companies that significantly influence Indonesia's investment climate. By implementing this mechanism, Indonesia can enhance its reputation as a safe and competitive destination for investors. This research aims to analyze the stages and implementation of the tripartite mechanism in resolving industrial relations disputes, using PT Yihong Novatex Indonesia as a case study. This research use doctrinal legal research method. The results show the stages in the tripartite mechanism that can be used in resolving industrial relations.
Keywords	<i>Tripartite, Investment, Termination of Employment, PT. Yihong Novatex, Dispute, Industrial.</i>

INTRODUCTION

The settlement of industrial relations disputes is an important aspect in maintaining the stability of the world of work in Indonesia, especially for investment companies. Data shows

that cases of termination of employment in 2024 were the most frequent cases in industrial relations disputes, namely 5,192 cases of termination of employment (Iswenda, 2025).

To handle this, there is a tripartite mechanism that will be discussed in this study. In this case, the author examines two things, first, the tripartite stage as an effort to resolve industrial relations cases between investment companies and their workforce. And secondly, the implementation of the tripartite stage with a case study of industrial relations between PT Yihong Novatex and laid-off workers.

Law No. 25 of 2007 Article 11 paragraph (1) regulates deliberation as the main solution to industrial relations conflicts between investment companies and labor, then Article 11 paragraph (2) states that if it has not reached an agreement, a tripartite mechanism will be carried out, if it still does not reach a result, investment companies and labor can resolve through industrial relations courts (Indonesia, 2007). In this article, the author focuses on the efforts listed in Article 11 paragraph (2), namely the efforts of the tripartite mechanism.

The tripartite mechanism is implemented by involving mediators, conciliators, or arbitrators who play an important role in handling more complex cases such as termination of employment involving large companies, including investment companies. Convolved or non-transparent processes can lead to legal uncertainty, which in turn can damage the investment climate in Indonesia. A legal system that provides certainty and protection against industrial risks is part of the investment infrastructure that is no less important than fiscal incentives or ease of licensing. Therefore, a discussion on how the tripartite mechanism operates in Indonesia is very relevant.

To address this issue, there is previous research, namely the study by (Hermawati, et al. 2025) entitled in English is "A Comparative Study of Mediation and Conciliation in Dispute Resolution in Corporations." This research does not provide concrete examples of mediation or conciliation in resolving labor conflicts. Furthermore, the study does not provide detailed steps for mediation or conciliation but rather explains the differences between mediation and conciliation. Additionally, there is a study by (Ramdani & Syafril, 2024) Which titled in English is "The Effectiveness of Mediation in Resolving Industrial Relations Disputes (PPHI) at the Labor and Industry Department of Padang City." This study does not systematically outline the stages of mediation from a formal legal perspective. Furthermore, the study by (Yuliardi & Santoso, 2022) titled in English is "Arbitration Efforts in Resolving Industrial Relations Disputes Based on the Agreement of the Parties." This research does not emphasize the role of the government as part of the resolution of industrial relations disputes.

There are several differences between this study and previous research, namely that the dispute resolution solution does not focus on one alternative in the tripartite mechanism but discusses all three: mediation, conciliation, and arbitration. Additionally, the resolution is focused on foreign-invested companies. As an exploration, the author also analyzes cases as implementations of the tripartite mechanism. Furthermore, the author systematically explains the tripartite stages from a formal legal perspective.

This study uses the doctrinal legal research method with regulations in positive law. In addition, this study was conducted by studying literature in the form of books, scientific

papers, theses, and laws. The data used in this study are secondary data, including published literature. The primary legal materials used in this study are Law No. 25 of 2007 concerning Investment and Law No. 2 of 2004 concerning the Settlement of Industrial Relations Disputes. This study uses a statute approach by analyzing primary legal materials to determine the stages of the tripartite mechanism as an effort to resolve industrial relations disputes. In addition, the author collected and analyzed journals, news, books, and articles so that this analysis provides a broader context about the tripartite mechanism and its implementation. As an example of implementation, the author explores the case of PT. Yihong Novatex Indonesia, which terminated the employment of 1,126 workers.

ANALYSIS & DISCUSSION

Tripartite Mechanism in Industrial Relations Dispute Resolution

Mediation

Law No. 2 of 2004 concerning Industrial Relations Dispute Resolution is the legal framework governing the procedures for resolving disputes between workers/laborers and employers. According to Law No. 2 of 2004 (Indonesia, 2004), mediation is conducted if bipartite negotiations or deliberations between workers and companies are declared unsuccessful. If, within seven days after the failure of the bipartite negotiations and the parties do not choose conciliation or arbitration, the resolution is referred to a mediator. In mediation, the mediator is required to study the case and commence the mediation hearing no later than seven working days.

During the process, the mediator calls expert witnesses and relevant evidence from the parties. If the mediation is successful, a Joint Agreement is drawn up and agreed upon by the parties, with signatures witnessed by the mediator, and registered with the Industrial Relations Court to obtain a certificate of registration. However, if the mediation fails, the mediator will issue a written recommendation. If the parties agree within 10 days, a Joint Agreement will be drawn up. If the recommendation is rejected, the dispute may be brought before the Industrial Relations Court. The entire mediation process must be completed within 30 days from the date the case is referred.

In these stages of dispute resolution, it is crucial to create a conducive work environment and reduce the potential for conflicts that could disrupt company operations. This is particularly important for foreign-invested companies that have a significant impact on Indonesia's economic sustainability. This structured and systematic process not only helps resolve issues but also contributes to improving relations between companies and workers. For companies, resolving issues at the bipartite level or through mediation has proven to be far more time- and cost-effective than processes that must go through the Industrial Relations Court (Sari, 2020). On the other hand, for workers, this mechanism provides a formal channel that allows them to advocate for their rights in a clearer and more structured manner.

Conciliation

Conciliation in this case refers to efforts to resolve industrial relations disputes between foreign-invested companies and their employees, involving a conciliator to help

both parties reach an agreement. The conciliation process consists of several stages (Iblam, 2023). The first step is to formally submit a request for conciliation to the conciliation body for preliminary review of the case. The conciliation institution then appoints a conciliator who has no vested interest in either party to the dispute. Within approximately seven days of the conciliation request, the parties involved are summoned to participate in negotiations.

During the negotiations, the conciliator is obligated to listen to the opinions and statements of both parties, after which the conciliator has the right to express their opinions and recommendations regarding the disputed case. If both parties agree, the conciliation effort is successful. To be legally binding, the agreement must be registered with the Industrial Relations Court. However, if one of the parties refuses, the case can be filed in the local district court.

This conciliation is an alternative mechanism that can be chosen by foreign-invested companies because it is more efficient in terms of time and cost. It also provides a sense of security in terms of minimal risk, does not damage the company's image, and ensures legal certainty once the agreement is registered with the Industrial Relations Court. Additionally, the existence of this conciliation mechanism demonstrates that Indonesia has an effective industrial relations system for resolving issues, thereby enhancing the ease of attracting foreign investment, particularly in the form of companies with national-level impact.

Arbitration

Arbitration is one of the legal pathways for resolving industrial relations disputes, as regulated by Law Number 2 of 2004 concerning the Settlement of Industrial Relations Disputes. Unlike mediation or conciliation, which are non-binding, arbitration decisions are final and legally binding, similar to court rulings (Entriani, 2017). Arbitration can only be carried out based on a mutual agreement between the workers/laborers and the employer. This means both parties must voluntarily agree to resolve the dispute through this mechanism. Without mutual consent, arbitration cannot be conducted (Yuliardi & Santoso, 2022).

The arbitration mechanism in industrial relations generally consists of several components. An arbitration agreement is established if both disputing parties agree to resolve the conflict through arbitration and appoint one or more arbitrators to examine and decide the case. This agreement is written and includes the subject of the dispute and the procedures for conducting arbitration (Mantilia, 2021). The appointed arbitrator may come from a list provided by the government or be agreed upon by both parties. The arbitrator must possess integrity, neutrality, and expertise in the field of industrial relations (Hidayat, 2023). Arbitration hearings are held privately. In this phase, the arbitrator listens to each party's arguments, examines submitted documents, and investigates relevant facts. After the review is complete, the arbitrator issues a decision that is final and binding. The decision can be directly enforced, and if necessary, the execution may be submitted to the Industrial Relations Court for a formal ruling (Yuliardi & Santoso, 2022).

In the investment world, fast and definitive dispute resolution is a key factor in assessing the ease of doing business in a country. A credible and effective arbitration system can boost investor confidence. Investors will feel more secure when they know that

labor conflicts will not indefinitely disrupt business continuity. Therefore, the existence and optimal implementation of arbitration is one of the essential foundations for creating a healthy and competitive investment climate (Mantilia, 2021).

Implementation of Tripartite Mechanism Case Study of Foreign Investment Company PT. Yihong Novatex Indonesia

In its implementation, this mechanism faces various challenges. One of the main challenges is the imbalance in bargaining power between workers and employers, which often leaves workers in a disadvantaged position employers, which often puts workers at a disadvantage favorable position. This inequality can lead to workers feeling pressured to accept unfair offers, resulting in their rights not being fulfilled. In addition, workers' lack of understanding of their rights is also a significant barrier. Without adequate knowledge, workers may not be able to optimally utilize the existing mechanisms, and this may result in them missing out on the opportunity to fight for the rights that they are entitled to.

Finally, the limited number of professional mediators in regions is also an obstacle that cannot be ignored. The presence of competent mediators competent mediators is very important to ensure that the mediation process runs effectively and fairly. If the number of mediators is limited, the dispute resolution process may be hampered, and this may worsen the situation. This can worsen the situation for both parties. Therefore, there is a need to increase the number of mediators who are trained and experienced mediators, as well as raising workers' awareness of their rights so that they can be more active in resolving disputes resolution process.

The case of PT Yihong Novatex is one example of this challenge. PT Yihong Novatex Indonesia is a Chinese foreign investment company located in Cirebon, West Java to support export needs. The company is engaged in the textile and footwear industry. On March 10, 2025, PT Yihong terminated the employment of 1,126 of its workers due to a four-day strike. The strike was triggered by the company dismissing three coworkers who were active in voicing workers' rights and refusing to appoint workers as permanent workers. Instead of paying attention to the workers' demands, the company chose to close the factory on the grounds of canceled orders. For the workers, the day after the dismissal, they went to the Manpower Office to reject the termination (Savitri, 2025).

The resolution of this case must be carried out wisely and in a manner that benefits both parties, meaning it should not violate workers' rights nor damage investor confidence in West Java. The Cirebon Manpower Office facilitated several mediation sessions for this case, involving the Disnaker, the workers' union, and PT. Yihong's management. These meetings were also attended by the Cirebon Regent, regional leadership coordination forums (Forkopimda), the head of the regional house of representatives (DPRD), the Indonesian Employers Association (Apindo), and other labor unions (Lukihardianti, 2025). The mediation process was prolonged and difficult. Novi Hedrianto, Head of the Cirebon Manpower Office, stated that PT. Yihong was not in a state of bankruptcy, meaning the termination decision needed to be reviewed (Batalinus, 2025). After several rounds of mediation, a resolution was finally reached: PT. Yihong resumed operations, and the laid-off workers were given the opportunity to return to work.

CONCLUSION

Based on this discussion, it can be concluded that the tripartite mechanism is one of the most important ways to resolve labor relations disputes in Indonesia, especially in investment companies. This mechanism provides a fair and efficient solution for workers and employers when conflicts occur, without having to immediately bring the problem to court (Mardani, 2016). The process begins with bipartite negotiations between the two parties, then proceeds to mediation, conciliation, or arbitration if no agreement has been reached (Indonesia, 2004). In the tripartite mechanism, the role of the government as a neutral party is very helpful to bridge the interests of both parties and encourage the achievement of a joint solution.

The implementation of the tripartite mechanism is not only important for resolving internal company conflicts, but also has a broad impact on the image of the investment climate in Indonesia. The existence of a clear, fast, and fair dispute resolution system provides a sense of security for investors, especially foreign investors who are very concerned about the stability of labor relations before investing (Mantilia, 2021). The case study of PT Yihong Novatex Indonesia is a clear example of how major disputes such as mass layoffs can be resolved through mediation, although the process is not easy and requires commitment and patience from all parties. But in the end, this mediation route provides hope for workers and maintains the sustainability of the company's business (Batalinus, 2025).

Thus, the consistent and fair implementation of the tripartite mechanism will not only create healthy and harmonious working relationships, but will also strengthen Indonesia's position as a safe and investment-friendly country. Peaceful and transparent conflict resolution will build trust, maintain company productivity, and create sustainable economic stability amidst the growing challenges of the world of work (Entriani, 2017).

To effectively strengthen the implementation of the tripartite mechanism in resolving industrial disputes, it is crucial to enhance workers' legal awareness by conducting regular education programs and fostering collaboration with labor unions, thereby empowering employees to actively and confidently participate in negotiations. In addition, expanding the availability and accessibility of professionally trained mediators especially in regional or remote areas can ensure that the dispute resolution process remains fair, timely, and unbiased. Companies should also be encouraged to prioritize bipartite negotiations and mediation as the first steps in dispute resolution, as these methods are generally more efficient, cost-effective, and conducive to preserving industrial harmony. Moreover, the government must play an active role in monitoring and enforcing agreements reached through tripartite processes, to build trust among stakeholders and uphold legal protections. Lastly, establishing comprehensive and transparent procedural guidelines for each phase of the tripartite mechanism is essential to minimize ambiguity, avoid legal uncertainty, and reinforce Indonesia's image as a secure and investment friendly nation.

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