

EFFICIENCY AND LEGAL CERTAINTY IN THE RESOLUTION OF INDUSTRIAL RELATIONS DISPUTES IN BATAM'S INDUSTRIAL AREA

Banar Maejaya¹, Indra Sakti^{2*}, Agus Riyanto³, Rizki Tri Anugrah Bhakti⁴

Faculty of Law, Universitas Riau Kepulauan, Batam, Indonesia

E-mail: maejayabanarr99@gmail.com¹, indrasakti12680@gmail.com^{2*}, gus.ryant00@gmail.com³,
rizki.tri.ab@gmail.com⁴

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Abstract

This article examines the effectiveness of alternative dispute resolution mechanisms, particularly mediation and arbitration, in the settlement of industrial relations disputes in Batam's industrial area, with emphasis on two principal parameters: efficiency and legal certainty. Batam occupies a distinctive place in Indonesia's economic geography as a free trade zone, an industrial cluster, and a strategic investment hub. This position generates intensive labour relations and, inevitably, a significant volume of industrial disputes. At the same time, the Industrial Relations Court (Pengadilan Hubungan Industrial/PHI) serving the Riau Islands Province is located in Tanjungpinang rather than in Batam. For workers and employers in Batam, this institutional arrangement increases travel costs, procedural burdens, and the time required to obtain formal adjudication. Using a normative juridical method supported by statutory, conceptual, case, and document-based approaches, this study analyses legislation, court decisions, institutional reports, scholarly literature, and verifiable secondary empirical information relating to dispute settlement practice in Batam. The study finds that mediation has become the dominant and relatively effective mechanism because it reduces costs, shortens processing time, and filters a substantial number of disputes before they reach litigation. However, legal certainty remains less than optimal due to persistent weaknesses in the execution stage, the non-binding nature of mediators' recommendations, the underutilization of arbitration, and the absence of a PHI in Batam. The article therefore argues for stronger mediation institutions, the establishment of a local PHI in Batam, enhanced labour-law literacy, and better harmonisation between central and local policy as essential steps toward a dispute resolution system that is faster, fairer, and more legally certain.

Keywords: *Alternative Dispute Resolution; Arbitration; Legal Certainty; Mediation; Industrial Relations Disputes*

INTRODUCTION

Batam holds a strategic position within Indonesia's national economy. As a free trade zone, an industrial area, and a borderland investment centre, it concentrates manufacturing, logistics, and export-oriented business activity on a scale that makes industrial relations a central component of local governance. Such an economic structure inevitably produces a dense web of legal relationships between employers, workers, trade unions, and government agencies. Wage disputes, dismissals, disagreements over employment status, collective bargaining conflicts, and inter-union disputes are not incidental by-products of industrialisation; they are structural features of an industrial city whose legal order must continuously manage the tension between production efficiency and the protection of labour rights. In this setting, the existence of a dispute resolution mechanism that is rapid, affordable, and predictable is not merely a matter of procedural convenience. It is a prerequisite for social stability, industrial peace, and the credibility of the rule of law in labour governance.

Batam presents a distinctive institutional problem within this national framework. The Industrial Relations Court for the Riau Islands Province is not located in Batam, where the overwhelming share of industrial activity occurs, but in Tanjungpinang. This geographic arrangement has long been criticised because it makes litigation more burdensome for disputing parties in Batam. Workers and employers who seek judicial determination must incur additional transportation, accommodation, and administrative costs. They must also devote more time to travel and court attendance, a burden that is particularly severe for workers confronting dismissal, unpaid wages, or other urgent claims. Secondary sources have repeatedly noted that the majority of industrial relations cases at the provincial level originate from Batam, even though the formal judicial venue remains outside the city (ANTARA, 2013;

Hukumonline, 2013; Disnaker Batam, 2019). Batam therefore provides a particularly revealing context in which to assess whether non-litigation dispute resolution mechanisms function merely as optional procedural stages or as indispensable institutional substitutes for difficult access to formal adjudication.

The practical importance of mediation in Batam is strongly supported by available secondary empirical information. Data from the Batam Manpower Office indicate that in 2021 it handled 87 industrial disputes involving 1,490 workers (Batam Pos, 2021). More recent information suggests that 158 disputes were handled in 2024, while by September 2025 no fewer than 104 disputes had entered the mediation stage at the same office (ANTARA, 2025). These figures should not be treated as administrative details alone. They show that mediation in Batam operates as the frontline institution of labour dispute resolution. In other words, the effectiveness of industrial dispute settlement in Batam depends less on the court's capacity to adjudicate than on the ability of administrative and quasi-consensual mechanisms to absorb, manage, and resolve disputes before they escalate into litigation. This institutional pattern raises a broader legal question: can a system centred on alternative dispute resolution simultaneously satisfy the demands of efficiency and legal certainty, or does its practical success conceal structural weaknesses that become visible only when parties refuse to comply?

Existing scholarship has addressed parts of this problem, but important analytical gaps remain. Handayani (2017) analysed mediation in termination-of-employment disputes in Batam and highlighted its role in facilitating settlement at the local level. Handayani (2021) later criticised weaknesses in the regulatory design of mediation in industrial relations disputes more generally. Other authors have observed that alternative dispute resolution tends to offer shorter processing time and lower cost than formal litigation (Syamsu et al., 2025). Yet much of the existing discussion remains either broadly normative or narrowly focused on mediation as an isolated institution. It has not sufficiently examined Batam as a legally and geographically distinctive environment in which industrial pressure, dependence on non-litigation mechanisms, and restricted court access intersect. There is therefore room for a more integrated analysis that evaluates alternative dispute resolution in Batam through the dual lens of efficiency and legal certainty rather than treating those two concepts as self-evidently aligned.

This complementarity is especially important in Batam because the absence of a local PHI increases the systemic burden on mediation. When access to litigation is geographically and economically difficult, mediation does not merely serve as one stage within a broader statutory sequence; it becomes the mechanism upon which the legitimacy of the labour dispute settlement system largely depends. If mediation is effective, Batam can maintain industrial stability despite the institutional distance of the court. If mediation is weak, however, the lack of a local court amplifies vulnerability for both workers and employers. Workers may abandon meritorious claims because the path to litigation is too costly, while employers may face prolonged uncertainty where disputes are not conclusively resolved. The legal significance of Batam therefore lies in the way it reveals the real-life consequences of institutional design: procedural law cannot be evaluated solely from the statute book, but must be examined in relation to geography, institutional capacity, and the everyday conditions of access to justice.

This article asks a central question: to what extent are alternative dispute resolution mechanisms, particularly mediation and arbitration, capable of ensuring efficiency and legal certainty in the settlement of industrial relations disputes in Batam's industrial area? In answering this question, the article pursues three interrelated objectives. First, it analyses the strengths and limitations of mediation and arbitration in Batam. Second, it compares the practical contribution of those mechanisms with litigation before the Industrial Relations Court. Third, it formulates policy directions aimed at strengthening the institutional architecture of labour dispute settlement in a manner appropriate to the realities of Batam as an industrial city. The novelty of this article lies in its effort to connect doctrinal analysis, institutional design, and locally grounded empirical information within a single evaluative framework. Rather than discussing mediation or legal certainty in the abstract, the article situates both concepts within Batam's specific geography of industrial conflict and judicial access.

METHOD

This research employs a normative juridical method with strong emphasis on legal materials and document-based analysis. The choice of method is grounded in the objective of the study, namely to evaluate how the normative design and institutional practice of industrial relations dispute settlement operate in Batam, particularly in relation to efficiency and legal certainty. The study is therefore not designed as a survey of attitudes or a statistical measurement of litigant behaviour. Instead, it examines the legal framework, the institutional structure, and the documented operation of dispute settlement mechanisms through legal interpretation and qualitative assessment of textual sources.

Four complementary approaches are used. The first is the statutory approach, through which the study analyses the main legislation governing industrial relations disputes in Indonesia, including Law Number 2 of 2004 on the Settlement of Industrial Relations Disputes, Law Number 13 of 2003 on Manpower as amended through Law Number 6 of 2023, and Government Regulation Number 35 of 2021 concerning fixed-term employment, outsourcing, working time, rest time, and termination of employment. These instruments are central because they define the legal pathways, procedural stages, and substantive rights relevant to labour disputes. The second is the conceptual approach, which is employed to clarify the analytical meaning of efficiency and legal certainty as the two principal evaluative parameters of this article.

The third approach is a case-oriented approach. This does not mean that the research constructs a database of court cases in a quantitative sense. Rather, it examines judicial decisions, examples of dispute handling, and documented labour conflicts in order to understand how the statutory framework functions in practice. Cases are used to illuminate recurring patterns, such as the burden created by the location of the Industrial Relations Court in Tanjungpinang, the practical effect of mediation, and the tension between negotiated settlements and enforceable outcomes. The fourth approach is a document approach, which enables the study to read institutional reports, strategic plans, media publications, and scholarly works together as a set of mutually informative sources. Because the issue under examination sits at the intersection of regulation and practice, document analysis is especially valuable in revealing how the law is experienced within a specific local setting.

The primary legal materials consist of statutes, government regulations, and court decisions relevant to industrial relations. These materials provide the authoritative legal basis for understanding the formal design of bipartite negotiation, mediation, conciliation, arbitration, and adjudication before the Industrial Relations Court. Primary materials are indispensable because the argument of legal certainty cannot be evaluated without reference to the positive law that structures the dispute settlement system. They also allow the article to identify normative expectations embedded in the legal regime, such as procedural sequencing, deadlines, the legal force of collective agreements, and the conditions under which disputes may proceed to litigation.

Secondary legal materials include journal articles, books, academic writings, institutional reports, and policy documents dealing with mediation, arbitration, industrial relations courts, and the broader dynamics of labour dispute resolution. These sources help situate the formal legal rules within scholarly debates about access to justice, dispute resolution design, and labour protection. In addition to those materials, the article draws on verifiable secondary empirical information, such as dispute-handling data from the Batam Manpower Office and relevant reports in reputable media outlets. Such material is not used as a substitute for fieldwork, nor is it treated as unproblematic factual truth. Rather, it functions as supporting evidence that helps illustrate the practical environment in which legal rules operate.

Data collection was conducted through library research and document study. Legal and documentary materials were identified, selected, and classified according to the themes most relevant to the research question. These themes included the regulatory framework of industrial dispute settlement, the empirical salience of mediation in Batam, the role and limitations of arbitration, barriers associated with litigation before the PHI in Tanjungpinang, enforcement and implementation problems, and possible directions for policy reform. Classification was important because the article seeks not only to describe discrete legal rules, but also to trace their interaction with institutional realities in Batam. Once collected, the materials were analysed qualitatively using legal interpretation, content analysis, and systematic comparison across sources.

To strengthen analytical reliability, the study applies source triangulation. Legislative texts are read alongside judicial reasoning, institutional planning documents, academic studies, and secondary empirical data. This triangulation is necessary because the issue under review cannot be adequately understood from a single type of source. A statute may prescribe mediation as a mandatory stage, but institutional reports reveal how frequently mediation is actually used; a judicial decision may clarify a legal principle, while media and policy documents may show the practical obstacles litigants face in reaching court. By comparing these materials, the article seeks to avoid overly formalistic conclusions and to produce a more balanced appraisal of both strengths and weaknesses in Batam's dispute resolution system.

RESULTS AND DISCUSSION

Mediation as the Primary Instrument of Efficiency

In Batam, mediation has emerged as the most visible and practically significant mechanism for resolving industrial relations disputes. This prominence is not incidental. It reflects the convergence of at least three conditions: the high volume of labour disputes generated by industrial activity, the practical burden of litigating outside the city,

and the statutory requirement that disputes move through non-judicial stages before adjudication. Available secondary data indicate that the Batam Manpower Office handled 87 industrial disputes in 2021, while 158 disputes were processed in 2024, and 104 disputes had entered mediation by September 2025 (Batam Pos, 2021; ANTARA, 2025). These figures suggest that mediation is not a peripheral administrative service; it is a central institutional filter that absorbs and manages a substantial number of disputes which might otherwise proceed to formal litigation. From the standpoint of procedural duration, mediation offers clear advantages. The statutory framework imposes a limited period for mediation, and institutional reports suggest that Batam's labour office has sought to respond relatively quickly to incoming complaints. In practical terms, this matters greatly. Workers involved in disputes over dismissal, unpaid wages, severance, or employment status often face urgent financial pressures. For them, delay is not a neutral condition; it directly affects household income and economic survival. Employers, too, have a strong interest in rapid clarification because prolonged conflict can disrupt production schedules, undermine managerial authority, damage business reputation, and increase the risk of collective unrest. Mediation is therefore attractive not merely because it is mandated by law, but because it aligns with the urgent temporal needs of both sides.

The character of mediation also supports relational efficiency. Industrial relations do not always end when a dispute arises. Even where workers are dismissed, trade unions, enterprises, and government agencies continue to interact within the same local labour environment. Mediation allows room for negotiated solutions, structured communication, and problem-specific settlements that may preserve working relationships or at least reduce hostility. This is particularly valuable in an industrial city where reputational effects and repeated interactions matter. Litigation, by contrast, often hardens positions and frames the dispute in winner-loser terms. The ability of mediation to preserve a degree of social and institutional continuity should therefore be regarded as part of its efficiency value, even though this aspect is less easily quantified than processing time or cost. Nevertheless, the efficiency of mediation should not be romanticised. It depends heavily on the capacity of mediators, the willingness of parties to participate in good faith, and the administrative ability of the labour office to manage a large caseload. If mediators are too few, overburdened, or insufficiently trained, efficiency may become superficial: cases move quickly, but the quality of settlement suffers. Moreover, where one party attends mediation only formally while intending from the outset to reject compromise, the process may become a procedural hurdle rather than an effective avenue of resolution. The Batam experience therefore shows that mediation can be highly efficient, but its efficiency is institutional rather than automatic. It must be supported by adequate staffing, technical competence, and clear procedural management.

The Limited Role of Arbitration and the Problem of Institutional Dormancy

In normative terms, arbitration holds considerable promise within Indonesia's industrial relations dispute settlement framework. It offers the possibility of a final and binding determination outside ordinary court litigation, especially for disputes of interest and disputes between trade unions within one enterprise. In theory, arbitration can deliver an outcome more quickly than court proceedings because it allows greater procedural flexibility, limits appeal avenues, and enables the parties to select a decision-maker they trust. These features make arbitration potentially attractive in industrial settings that require specialised expertise and expedient resolution. Yet in Batam, arbitration has not become a genuinely living institution within everyday industrial relations practice.

Several factors explain this underutilisation. First, arbitration depends on party agreement. This requirement is defensible from the perspective of autonomy, but it also creates a practical barrier. In many labour disputes, trust between the parties is already weak by the time formal settlement is considered. Employers may hesitate to enter arbitration because they prefer the structure of state-backed adjudication or hope to delay resolution. Workers and unions may mistrust private or semi-private dispute settlement because they fear unequal bargaining power or lack familiarity with arbitral procedure. The very disputes for which arbitration might be useful are often the disputes in which mutual agreement on arbitral submission is hardest to obtain.

Second, arbitration suffers from limited public visibility and legal literacy. Compared with mediation, which is institutionally linked to the local manpower office and therefore embedded in routine labour governance, arbitration appears remote and technical. Many workers, and even some employers, may not clearly understand when arbitration can be used, what legal consequences it produces, how arbitrators are chosen, or how costs are allocated. A mechanism that exists in legislation but remains weakly understood in practice is unlikely to become a meaningful alternative. This problem is not unique to Batam, but it has particular significance there because the city's heavy dependence on mediation has crowded out the development of other non-litigation options.

Third, Batam lacks a strong local ecosystem to normalise arbitral use in labour disputes. Alternative institutions become effective when they are supported by networks of professionals, recognised procedures, and repeated use that generates confidence over time. Arbitration in Batam does not yet appear to enjoy such an ecosystem. There is little evidence that parties routinely think of it as a practical solution, and there are few publicly visible examples that might serve as reference points for later disputes. In consequence, arbitration remains legally available yet institutionally dormant. This gap between formal availability and practical inactivity is important because it shows that legal design alone does not guarantee functional choice within a dispute resolution system. The weak role of arbitration has consequences for both efficiency and legal certainty. On the efficiency side, underused arbitration means that Batam relies disproportionately on mediation and, when mediation fails, on litigation outside the city. On the legal certainty side, it means the dispute settlement system loses a mechanism that could have provided a final and binding outcome in specific categories of dispute without the full burdens of court proceedings. This is particularly relevant for disputes of interest, where courts may be structurally less suitable because they are often reluctant to formulate what resembles new normative arrangements between labour and management. Properly designed and socially accepted arbitration could help fill that gap.

Legal Certainty and the Binding Force of Settlement Outcomes

If efficiency concerns the accessibility and manageability of the dispute resolution process, legal certainty concerns the quality and enforceability of its outcomes. In Batam, this issue becomes especially important because the practical success of mediation might create the impression that a fast settlement is necessarily a certain settlement. That is not always the case. Legal certainty in industrial relations disputes must be evaluated at several levels: the clarity of procedural stages, the normative status of mediated agreements, the treatment of substantive labour rights, and the enforceability of outcomes where compliance is resisted.

At the level of formal design, Indonesia's legal framework does provide a reasonably clear pathway. Bipartite negotiation is the starting point; failing that, parties may proceed to mediation, conciliation, or arbitration; and if settlement still cannot be achieved, litigation in the Industrial Relations Court becomes available. This sequencing contributes to certainty because parties can anticipate the next procedural step and understand that the law does not leave them without remedy. In Batam, however, procedural certainty must be distinguished from practical certainty. Even if the stages are clear on paper, the burdens associated with moving from one stage to another may affect whether a party can realistically pursue the next remedy.

The strongest form of legal certainty generated through mediation arises when the parties reach a collective agreement and register it. Such an agreement is valuable precisely because it combines consensual origin with legal force. It emerges from party participation rather than unilateral adjudication, yet once properly registered it acquires executorial significance. This hybrid character is one of mediation's greatest strengths. Because the parties themselves formulate the agreement, compliance rates may be higher than in purely imposed outcomes. At the same time, registration provides a legal anchor that distinguishes the agreement from an informal promise. In the Batam context, this feature has been especially important because it enables local dispute settlement to produce outcomes that are not legally fragile.

Even so, certainty through mediation remains incomplete when no agreement is reached. If mediation fails, the mediator may issue a recommendation or advisory opinion, but this is not binding in the same way as a court decision or a registered settlement. A party acting in bad faith may therefore reject the recommendation without immediate sanction and force the dispute into litigation. This weakens certainty in at least two ways. First, it reintroduces delay and cost at precisely the point where the parties hoped for resolution. Second, it exposes power imbalances. A better-resourced employer may be more able to prolong the dispute than an individual worker whose financial resilience is limited. In these circumstances, the non-binding character of mediation recommendations can convert a nominally accessible process into a strategically manipulated one.

The Batam experience therefore reveals a nuanced picture. Mediation contributes significantly to legal certainty when it culminates in registered agreement and when mediators actively guard statutory minima. However, certainty weakens where recommendations are ignored, where rights remain contested, or where enforcement becomes difficult. The lesson is not that mediation fails as a legal institution. Rather, the lesson is that mediation requires stronger linkage with enforcement mechanisms and clearer incentives for good-faith participation if it is to deliver certainty consistently, rather than only in cooperative cases.

The Industrial Relations Court as a Necessary but Distant Institution

Within Indonesia's labour law framework, alternative dispute resolution and the Industrial Relations Court should not be understood as mutually exclusive or normatively rival institutions. Each performs a different function. Mediation and related mechanisms are designed to facilitate settlement, reduce costs, and encourage negotiated outcomes. The PHI provides authoritative adjudication, legal reasoning, coercive power, and the possibility of precedent formation. In a well-functioning system, these institutions should reinforce each other. Batam demonstrates both the necessity of that complementarity and the problems that arise when one of the institutions is physically and administratively distant from the community most dependent on it.

Yet the Batam setting reveals how institutional distance can diminish the practical benefits of formal adjudication. Because the PHI is located in Tanjungpinang, the route from mediation failure to litigation is longer, costlier, and more burdensome than it would be if the court were located in Batam. This geographic displacement affects workers most sharply, but it also imposes costs on employers. Travel outside the city means lost time, additional expense, and reduced procedural convenience. More importantly, it may alter litigation behaviour itself. Some meritorious claims may never be filed because the cost-benefit calculation discourages workers from proceeding. In that sense, the absence of a local PHI can indirectly distort substantive justice by narrowing the set of disputes that actually reach formal adjudication.

At the same time, the PHI remains vital for legal development. Judicial decisions generate interpretive guidance on issues such as the legality of dismissal, the calculation of severance, process wages, and the treatment of contractual employment. Unlike mediated agreements, which usually remain case-specific and non-public, court rulings can contribute to jurisprudential consistency and thereby enhance legal certainty for future disputes. This function is particularly important in labour law, where recurring disputes often involve similar legal questions across multiple enterprises. Batam therefore needs the PHI not because mediation is unimportant, but because a sustainable labour justice system requires a credible adjudicative backstop.

The comparative picture that emerges is therefore complex. Alternative dispute resolution is superior to litigation in Batam on several indicators of efficiency: lower cost, faster process, easier local access, and greater potential to preserve industrial relationships. The PHI is superior on dimensions of coercive authority, precedent, and final legal determination in deadlocked disputes. The policy challenge is not to choose between them, but to ensure that the strengths of one do not compensate for the weakness of the other in a way that undermines justice. Batam needs strong mediation because litigation is burdensome; but precisely for that reason, Batam also needs litigation that is reasonably accessible when mediation fails.

Institutional Challenges and the Agenda for Reform

The findings of this study indicate at least four major challenges in Batam's current dispute resolution landscape. The first concerns institutional capacity. Mediation can only perform its filtering and settlement functions effectively if there are enough competent mediators and adequate administrative support. A heavy caseload placed on a small number of mediators creates risk of delay, superficial case handling, or uneven quality. In the long term, overburdening a small institution may undermine confidence even if the mechanism initially appears successful. Industrial cities require dispute resolution institutions proportionate to the scale of industrial conflict they generate.

The second challenge concerns the legal culture of compliance and good-faith participation. Alternative dispute resolution depends on more than procedural availability. It requires parties who are willing to engage meaningfully, exchange information, negotiate within the framework of labour law, and comply with outcomes once reached. Where employers treat mediation as a delaying tactic, or where workers reject settlement solely in the expectation of a higher judicial award without adequate legal basis, the process loses effectiveness. A legally structured mediation system cannot function optimally without a normative environment that values sincere participation. The law can encourage such conduct, but institutions must also cultivate it through practice, guidance, and consequences for abuse.

The third challenge is the underdevelopment of arbitration and, more broadly, the narrowness of practical institutional choice. A resilient dispute resolution system should not depend almost entirely on one mechanism. Yet Batam's labour dispute practice appears heavily concentrated in mediation, with arbitration remaining largely dormant and the court geographically removed. This creates vulnerability. If mediation capacity weakens, or if certain categories of dispute are unsuited to mediated settlement, the system offers few genuinely convenient alternatives. Institutional reform must therefore be understood not only as improving what already works, but also as activating mechanisms that are formally present yet functionally marginal.

The fourth challenge concerns court accessibility. The absence of a PHI in Batam is not a minor logistical issue; it is an institutional gap with direct implications for efficiency, legal certainty, and equality of access to justice. Batam is a major industrial city and the source of a high proportion of industrial disputes within the province. The continued location of the PHI in Tanjungpinang imposes disproportional burdens on those who live and work where the disputes actually occur. It also weakens the integrated functioning of the statutory system because the move from mediation to adjudication becomes more difficult than legislators likely intended when designing the sequence of remedies. Taken together, these reforms point toward a hybrid institutional model. Batam does not need a labour dispute resolution system that privileges either consensual settlement or formal adjudication to the exclusion of the other. It needs a system in which mediation is credible and well resourced, arbitration is available and understood, and adjudication is geographically accessible when consensus proves impossible. Such a model would better reconcile the values of efficiency and legal certainty, while also supporting industrial harmony and investment confidence in one of Indonesia's most important production centres.

CONCLUSION

Based on the foregoing analysis, it can be affirmed that alternative dispute resolution mechanisms, especially mediation, play a central role in the settlement of industrial relations disputes in Batam and contribute substantially to procedural efficiency. In a city marked by intense industrial activity and a high incidence of labour disputes, mediation offers a locally accessible, comparatively affordable, and relatively rapid pathway for resolving conflict. Its significance in Batam is greater than that of a simple pre-litigation stage. Because the Industrial Relations Court is located in Tanjungpinang rather than in Batam, mediation functions as the primary institutional arena through which workers and employers can pursue dispute settlement without incurring the heavier burdens associated with external litigation. The volume of cases handled by the Batam Manpower Office confirms that mediation has become the practical backbone of industrial justice in the city.

The study demonstrates that arbitration has not yet developed into a genuinely functional alternative in Batam, despite its normative promise. This underutilisation limits the diversity and resilience of the dispute resolution system. At the same time, the Industrial Relations Court remains indispensable because some disputes require authoritative adjudication, coercive power, and jurisprudential guidance. The problem in Batam is therefore not that the court lacks legal importance, but that its location diminishes practical access. As long as the PHI remains outside the city where most industrial disputes originate, the statutory sequence from non-litigation settlement to adjudication will continue to operate under a structural imbalance. Parties may settle because mediation is genuinely suitable, but they may also settle because the alternative is too burdensome.

In broader terms, the Batam case illustrates a fundamental point for labour law and dispute resolution policy in industrial regions. The success of a legal mechanism cannot be measured solely by the elegance of statutory design or by the number of cases formally processed. It must be assessed in relation to geography, institutional capacity, access to justice, compliance behaviour, and the lived realities of workers and employers. A labour dispute resolution system is efficient only when it reduces unnecessary time and cost without sacrificing fairness. It provides legal certainty only when procedures are clear, outcomes are enforceable, and rights are not diluted by institutional weakness. Batam has moved meaningfully toward such a system, particularly through mediation, but the journey remains incomplete. Future reform should therefore focus on strengthening institutional capacity, improving labour-law literacy, activating underused mechanisms, and bringing judicial infrastructure closer to the industrial community it is meant to serve.

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