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Article Title

**The Legal Status and Authority of the Interim President
Director of the Regional Public Corporation for Water Utility of
Makassar City**

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ABSTRACT

The appointment of an Interim Director in the Regional-Owned Enterprise (ROE), notably a Regional Public Corporation for Water Utility in a crisis, often gives rise to juridical discourse concerning the scope of his or her authority, especially in making strategic policy decisions such as personnel restructuring. This normative legal research aims to analyze the validity of the appointment of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City, determine the legal regime governing the authority vested in this position, and assess the legality of the implemented personnel restructuring policy. Employing statute and conceptual approaches, this research examines various regulations related to ROEs, manpower law, and state administrative law. The analysis results indicate that the appointment of the Interim President Director by the Mayor of Makassar as the Capital Owner's Authorized Representative amidst a total vacuum in the company's organs has a strong juridical foundation. Furthermore, the authority of an Interim Director of the ROE is predominantly subject to the corporate law regime and sectoral ROE regulations, not to state civil service administrative norms, thereby granting authority equivalent to that of a definitive board of directors as stipulated in relevant regional regulations. Consequently, personnel restructuring policies, including non-renewal of employment contracts and termination of employment relations based on evaluations and company efficiency, are lawful and fall within the scope of the Interim President Director's authority, provided they are implemented by applicable manpower law procedures and ROE regulations. This research provides juridical clarification to foster a more comprehensive legal understanding of the authority of an Interim Director of the ROE.

Keywords: Employment Contract; Interim Director's Authority; Regional Public Corporation; Water Utility.

INTRODUCTION

Regional Public Corporations, particularly those operating in essential public service sectors such as drinking water provision, hold a crucial role in the architecture of regional development and fulfilling essential public needs (Putri et al., 2022). These entities' effectiveness and operational sustainability are highly dependent on the quality of good corporate governance, which includes certainty and clarity regarding leadership mechanisms, especially in transitional or crises (Triwijaya et al., 2025). The appointment of an Interim Director often serves as a pragmatic solution to fill a vacancy and maintain managerial continuity (Tobrani, 2018). However, it also frequently sparks complex juridical discourse, especially concerning the scope and limitations of the authority vested in such an interim figure when making strategic decisions (Indara, 2024). This phenomenon becomes increasingly relevant and urgent for in-depth analysis when these strategic decisions involve personnel restructuring policies—an area fraught with legal, social, and economic implications, as reflected in the recent dynamics at the Regional Public Corporation for Water Utility of Makassar City.

The problematic context at the Regional Public Corporation for Water Utility of Makassar City emerged significantly following the disclosure of the company's

budget deficit, reported to have reached IDR 5.5 billion in the first quarter of 2025 (Jabbar, 2025). In his capacity as the Capital Owner's Authorized Representative, this critical financial situation was subsequently addressed by the Mayor of Makassar by conducting a complete overhaul of the company's organ structure through the dismissal of the entire previous-term Supervisory Board and Board of Directors (Koto, 2025). As a subsequent managerial step to fill the leadership vacuum, the Mayor of Makassar then appointed an Interim Supervisory Board and two Interim Directors, including the central positions of Interim President Director and Interim Finance Director, effective April 21, 2025. However, policies undertaken by the Interim President Director, particularly regarding the discourse on personnel restructuring or downsizing as a corporate turnaround effort, quickly became the epicentre of public scrutiny and triggered debate concerning the legality of his authority (Alim, 2025).

The juridical problems arising from this situation stem from diverse interpretations of the regulatory framework governing the authority of an Interim Director of the Regional-Owned Enterprise (ROE). On the one hand, views are seeking to limit the authority of an Interim Director by referring to norms in state administrative law and civil service employment law, as reflected in several circular letters and regulations governing interim official positions within the state civil apparatus. On the other hand, counterarguments emerge, emphasizing that ROEs, including Regional Public Corporations, fundamentally operate under a corporate law and governance regime that possesses its own characteristics and legal basis. This legal basis is enshrined in specific legislation concerning ROEs, such as Government Regulation Number 54 of 2017, and its implementing ministerial regulations, such as Ministerial Regulation Number 23 of 2024 and Ministerial Regulation Number 37 of 2018, further complemented by particular regional regulations like Makassar Municipal Regulation Number 7 of 2019. This interpretative tension creates an urgent need for comprehensive juridical analysis.

Based on the aforementioned background and problems, this research aims to conduct an in-depth and systematic juridical analysis of several crucial aspects. *First*, this research will examine and elucidate the legal basis and scope of authority of the Interim President Director of a Regional Public Corporation, focusing on how legislation in the ROE sector governs the status and authority of such an interim official. *Second*, this research will specifically analyze the legality of personnel restructuring policies planned or undertaken by the Interim President Director of the Regional Public Corporation by referring to relevant manpower law provisions, including Law Number 13 of 2003, Government Regulation Number 35 of 2021, and their correlation with specific ROE regulations concerning human resource management and corporate efficiency.

Through analyzing these issues, this research is expected to make significant contributions, theoretically and practically. Theoretically, the findings of this research can enrich the treasury of legal scholarship, particularly in the discourse on business law, regional enterprise law, state administrative law, and manpower law, especially regarding the interpretation of the authority of corporate organs in special situations. Practically, this analysis is expected to provide clarity and legal certainty for stakeholders, including Regional Governments as the Capital Owner's Authorized Representative, Boards of Directors and Interim Directors of ROEs, and the wider public, in understanding the limitations and juridical basis for strategic decision-making within Regional Public Corporations.

METHOD

This research is fundamentally normative legal research, focusing on the inventory, analysis, and interpretation of a series of positive legal norms and relevant legal principles concerning the issue of the authority of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City in the context of personnel restructuring policy. To dissect the formulated legal problems, this research implements several approaches simultaneously and integratively (Qamar & Rezah, 2020). The statute approach serves as the central pillar, and it is conducted by comprehensively examining various legislative products and regulations governing ROEs, directorate appointment mechanisms, manpower law, and specific related regional regulations. Furthermore, the conceptual approach is utilized to clarify and provide precise meaning to essential juridical concepts such as "the authority of an interim official," "strategic decision," "personnel restructuring," "corporate governance," and the distinction between the state administrative law regime and the corporate law regime. Although this research is normative, the case approach is also applied in a limited sense, namely by using the factual dynamics occurring at the Regional Public Corporation for Water Utility of Makassar City as the locus and analytical starting point to test the relevance and applicability of existing legal norms.

To obtain comprehensive and valid juridical data, this research relies on two main types of legal source materials (Sampara & Husen, 2016). Primary legal materials consist of a series of binding legislative acts, comprising Law Number 13 of 2003, Government Regulation Number 54 of 2017, and Government Regulation Number 35 of 2021. Also serving as primary references are Ministerial Regulation Number 23 of 2024, Ministerial Regulation Number 37 of 2018, Ministerial Decision Number 47 of 1999, Circular Number 2/SE/VII/2019, and Makassar Municipal Regulation Number 7 of 2019. In addition, secondary legal materials, consisting of legal literature, scholarly journal articles, doctrines of legal experts, and other relevant research findings, are also utilized to enrich the analysis and provide theoretical perspectives. All these legal

materials are inventoried and collected systematically through library research and documentary study techniques.

After the legal materials are collected, the analysis process is conducted qualitatively and descriptively to comprehensively describe existing norms and their problematic context (Irwansyah, 2020). Furthermore, legal interpretation techniques, whether grammatical, systematic, or teleological, are applied to explore the meaning contained within each legislative provision. Norm systematization efforts are also undertaken to understand the interrelation and hierarchy among relevant regulations, thereby obtaining a coherent legal framework. Based on this interpretation and systematization results, logical and structured legal arguments are constructed to answer each research question. Finally, a critical evaluation of various developing public views or areas of public scrutiny is conducted by juxtaposing them against the analyzed legal construction. By integrating these various legal material analysis techniques, this research is designed to logically and systematically answer each formulated research objective, producing a comprehensive and in-depth analysis.

RESULTS AND DISCUSSION

A. The Juridical Foundation of the Appointment and Legal Status of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City

The governance dynamics of the Regional Public Corporation for Water Utility of Makassar City entered a crucial phase following the disclosure of a significant budget deficit in the first quarter of 2025, reportedly reaching IDR 5.5 billion. As an irrefutable legal fact, this financial crisis inherently indicated potential fundamental problems in the company's internal governance aspects. This condition, in turn, required the Mayor of Makassar, as the Capital Owner's Authorized Representative, to take strategic and measurable interventionist steps to prevent further escalation of losses and to guarantee the continuity of essential services provided by the Regional Public Corporation.

As an initial response to this critical situation, the Mayor of Makassar implemented a fundamental policy of dismissing the entire previous-term Supervisory Board and Board of Directors of the Regional Public Corporation for Water Utility of Makassar City. This act of dismissal has a juridical basis that can be referenced in several provisions. Article 20 point c(2) of Makassar Municipal Regulation Number 7 of 2019 explicitly states, "*the term of office of a member of the Board of Directors shall end if dismissed for committing actions detrimental to the Company.*" A condition of significant financial loss can be interpreted as one manifestation of such detrimental actions or conditions.

Furthermore, this dismissal can also be contextualized within the broader regional enterprise restructuring policy framework, as stipulated in Article 54 Section (2) point g of Ministerial Regulation Number 37 of 2018. This Ministerial Regulation allows for the dismissal of members of the Board of Directors at any time if there is a change in Regional Government policy regarding restructuring. In this context, the definition of restructuring, according to Article 1 point 7 of Government Regulation Number 54 of 2017, is an effort to restore the financial health of the ROE. The logical consequence of this wholesale dismissal is a structural vacancy in all management organs of the Regional Public Corporation, a leadership vacuum that legally and operationally demands immediate filling.

In such a condition of a total vacancy in the Board of Directors and Supervisory Board, the legal construction of the ROE grants special authority to the Mayor of Makassar to temporarily assume the company's management functions. Article 71 section (3) of Government Regulation Number 54 of 2017 imperatively states that:

“In the event of a vacancy in all positions of the members of the Board of Directors and all members of the Supervisory Board or Commissioners, the management of the Regional Public Corporation shall be carried out by the Capital Owner's Authorized Representative.”

This provision confirms the central position of the Mayor of Makassar not only as the capital owner but also as the holder of ultimate responsibility for maintaining the continuity and stability of the Regional Public Corporation in emergencies. This authority is further affirmed in Article 4 section (1) and section (2) as well as Article 5 section (3) point f of Ministerial Regulation Number 23 of 2024, which in principle recognizes the Capital Owner's Authorized Representative as an organ of the Regional Public Corporation with supreme authority, including in the appointment and dismissal of the Supervisory Board and Board of Directors.

Following up on this authority, the Capital Owner's Authorized Representative of the Regional Public Corporation for Water Utility of Makassar City was appointed the Interim President Director and an Interim Finance Director on April 21, 2025. Although public discourse arose questioning this appointment mechanism by referring to Article 24, section (1) and Section (2) of Ministerial Regulation Number 23 of 2024, which stipulates that:

- (1) In the event of a vacancy in all positions of the members of the Board of Directors, the management tasks of the Water Utility ROE shall be carried out by the Supervisory Board or Commissioners.
- (2) The Supervisory Board or Commissioners may appoint an official from within the Water Utility ROE to assist in carrying out the duties of the Board of Directors until the appointment of a definitive Board of Directors, for a maximum of 6 (six) months.

Nevertheless, the interpretation of these provisions must be conducted carefully and contextually. The grammatical use of the phrase “may appoint” indicates an option or a facultative nature, not an absolute obligation to appoint internal candidates (Lessy et al., 2025). More fundamentally, this provision becomes difficult to apply when all organs, both the definitive Board of Directors and the definitive Supervisory Board, have been dismissed simultaneously, leaving no definitive Supervisory Board to perform such an appointment function. In a total vacuum of management organs, the discretionary authority of the Capital Owner’s Authorized Representative, based on Government Regulation 54 of 2017 and Ministerial Regulation 23 of 2024, becomes highly relevant and decisive.

The appointment of the Interim President Director by the Mayor of Makassar in this context is not only a manifestation of exercising authority but also the fulfilment of a legal obligation to ensure that a prolonged leadership vacuum does not occur (Deliarnoor, 2015). In this regard, Article 17 section (2) of Makassar Municipal Regulation Number 7 of 2019 specifically and unequivocally stipulates that:

“The Capital Owner’s Authorized Representative, within 30 (thirty) days from the date of a vacancy, shall appoint members of the Board of Directors to fill said vacancy.”

Teleologically, this provision also encompasses the obligation to promptly appoint an Interim Director as a crucial interim measure before a definitive Board of Directors can be appointed according to procedure. This principle aligns with the more universal legal adage that the law must be applicable and aim to maintain order and institutional functionality (*ut res magis valet quam pereat*—it is better for a thing to have effect than to be void) (Santo, 2016).

From the perspective of legal philosophy, Fuller (1964), through his conception of the ‘principle of legality,’ emphasizes that one of the conditions for law to function as an instrument of good governance is the existence of practicable rules that do not demand the impossible. In the context of a total vacuum in the organs of the Regional Public Corporation, requiring the Mayor of Makassar to reinstate the dismissed Supervisory Board merely to appoint an Interim President Director from internal candidates, while the Capital Owner’s Authorized Representative himself possesses supreme authority, could instead potentially create legal and operational deadlock. Therefore, the Mayor of Makassar’s directly appointing an Interim Director is a manifestation of a pragmatic application of law to ensure the organization continues to function.

Based on a series of juridical analyses of these various tiers of legislation, ranging from Government Regulations and ministerial Regulations to Municipal

Regulations, and supported by general principles of good governance and corporate practice (Manane et al., 2022), the appointment of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City by the Capital Owner's Authorized Representative has a solid and accountable juridical foundation. Therefore, the legal status of the Interim President Director appointed through this mechanism is legally valid, and he or she possesses complete legitimacy to carry out the duties and authority of managing the company in order to restore its financial health and maintain the continuity of public services, pending the election of a definitive Board of Directors.

B. Determination of the Legal Regime and General Scope of Authority of an Interim Director of the Regional-Owned Enterprise

Following the establishment of the juridical validity of the appointment of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City, an equally important legal discourse concerns the determination of the legal regime that fundamentally governs and the general scope of authority inherent in, such an interim official. The urgency of this discussion has become prominent with the emergence of public views seeking to apply certain limitations on the authority of the Interim President Director, with arguments frequently referencing Circular Number 2/SE/VII/2019. If not analyzed precisely and comprehensively, reliance on this irrelevant legal instrument could create juridical ambiguity and distortion in understanding the authority of an Interim Director of the ROE.

To dissect the relevance of Circular Number 2/SE/VII/2019, the first fundamental analytical step is to identify and understand the juridical basis and domain of the Circular Letter. Explicitly, in both its considerations and legal basis, said Circular Letter refers to the primary regulatory framework in the state civil service employment field, namely Law Number 5 of 2014¹, Law Number 30 of 2014², and Government Regulation Number 11 of 2017³. This series of legislation firmly establishes and governs the state administrative law regime and the personnel management system for the State Civil Apparatus. Consequently, the material scope (object of regulation) and formal scope (subjects it governs) of the Circular Letter are inherently and primarily intended to guide the performance of duties in structural and functional positions within government agencies, not for regional corporate entities that possess different legal characteristics.

¹Law Number 5 of 2014, as repealed by Law Number 20 of 2023.

²Law Number 30 of 2014, as amended by Article 175 of Government Regulation in Lieu of Law Number 2 of 2022.

³Government Regulation Number 11 of 2017, as amended by Government Regulation Number 17 of 2020.

ROEs, including the Regional Public Corporation for Water Utility of Makassar City, are diametrically different from government agencies subject to the state administrative law regime and the personnel management system for State Civil Apparatus. A Regional Public Corporation is the ROE whose capital, wholly or partially, consists of separated regional assets and operates within corporate law (Widiyastuti, 2019). The main principle governing its management is good corporate governance, as affirmed in Article 1 point 9 of Government Regulation 54 of 2017 and reiterated in Article 1 point 9 of Ministerial Regulation Number 23 of 2024. The management of the ROE places greater emphasis on professionalism, efficiency, and autonomy, akin to a business entity, despite also carrying a public service mission (Cahyaningrum, 2018).

A systematic analysis of various sectoral legislative acts governing ROEs reveals a consistent legislative pattern in distinguishing their regulatory domains. Not a single piece of primary legislation in the ROE sector, be it Government Regulations or Ministerial Regulations, includes Law Number 5 of 2014, Law Number 30 of 2014, or Government Regulation Number 11 of 2017 as part of the considerations for its enactment. The absence of these references is not an oversight but rather indicates a legislative awareness and intent to draw a clear demarcation between the legal regime governing government bureaucracy and the legal regime governing regional corporate entities. This distinction is crucial for preserving the managerial autonomy of ROEs, enabling them to operate agilely by business dynamics while remaining within the bounds of public accountability.

From the perspective of legal philosophy, Kelsen (1960), through his idea of *Stufenbau des Rechts* or the hierarchy of legal norms theory, emphasizes the importance of order and consistency within a legal system. A legal norm derives its validity from a higher norm, and the application of a norm must be consistent with the context and system in which it exists. Applying a norm designed for one system (state administrative law for State Civil Apparatus) to another fundamentally different system (corporate law for ROEs) without delegating authority or explicit reference from a higher norm within the ROE system could potentially disrupt the normative order and create legal uncertainty. The *lex specialis derogat legi generali* principle also finds its relevance here, whereby specific regulations concerning ROEs and their organs, including those on filling temporary positions, should ideally take precedence over general state administrative provisions that do not specifically regulate ROEs.

More particularly, and with a direct binding effect on Regional Public Corporations, the provisions within Makassar Municipal Regulation Number 7 of 2019 serve as the primary reference. Article 17 of this Municipal Regulation explicitly and unambiguously governs the mechanism for filling vacant positions on

the Board of Directors, including by appointing an Interim Director. Furthermore, Article 17 section (1) point c and section (2) point c of this Municipal Regulation expressly states that an Interim Director appointed by the Capital Owner's Authorized Representative has the same duties, authority, and obligations as the member of the Board of Directors whose definitive position is vacant until a definitive member of the Board of Directors is appointed. The norms within this Municipal Regulation, as *lex specialis* specifically governing the Regional Public Corporation for Water Utility of Makassar City and as a regional legal product with binding legal force within the framework of regional autonomy, provide no indication whatsoever of any limitation on the authority of an Interim Director. Conversely, these provisions affirm the delegation or attribution of full and equal authority, albeit within a temporary timeframe.

Based on a series of analyses of this fundamental demarcation of legal regimes, supported by applicable legal principles, and reinforced by specific provisions in Makassar Municipal Regulation Number 7 of 2019, any attempt to limit the general scope of authority of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City by rigidly relying on Circular Number 2/SE/VII/2019 constitutes a juridical approach that is not comprehensive and lacks a solid foundation. The general scope of authority of an Interim Director of the ROE, including the Regional Public Corporation for Water Utility of Makassar City, is determined and framed by sectoral ROE legislation, the Company's Articles of Association, and the Municipal Regulation that governs it. Thus, in principle, the Interim President Director, whose legal status has been validated, holds authority equivalent to that of a definitive director to fully execute the company's management functions naturally while always adhering to the principle of fiduciary duty and good corporate governance ([Erwinsyahbana & Melinda, 2018](#)).

C. Juridical Analysis of the Authority of the Interim President Director in Implementing Personnel Restructuring Policy at the Regional Public Corporation for Water Utility of Makassar City

After the general scope of authority of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City has been determined not to be automatically fettered by restrictions applicable to state civil apparatus, the analytical focus now shifts to the most central issue triggering public discourse, namely the legitimacy of the Interim President Director's authority in planning and implementing personnel restructuring or human resources downsizing policies. Based on the company's significant financial losses, the Interim President Director's statement regarding this efficiency measure immediately gave rise to diverse interpretations, including concerns about large-scale termination of

employment relations (Cipto & Ihsanuddin, 2025). To conduct a comprehensive juridical analysis, it is essential to first understand that the terminology 'personnel downsizing' in this context encompasses a series of different legal actions, including the non-renewal of employment contracts for workers under Fixed-Term Employment Contracts (FTECs) whose work period has expired, and the implementation of termination of employment relations based on performance evaluations, disciplinary actions, or as a consequence of company efficiency measures. The fundamental basis for managing employment relations within the Water Utility ROE is affirmed in Article 77 of Ministerial Regulation Number 23 of 2024, which states that the status, appointment, dismissal, rights, and obligations of Water Utility ROE employees are determined based on employment agreements by the provisions of the legislation in the manpower sector. The primary references are Law Number 13 of 2003 and its implementing regulations.

One mechanism within the personnel downsizing policy framework is the non-renewal of FTECs for contract workers whose employment agreement duration has ended. From a labor law perspective, this managerial step has a solid juridical foundation and is irreproachable. Article 61 section (1) point b of Law Number 13 of 2003⁴ explicitly and unambiguously stipulates that one reason for terminating an employment agreement is the expiration of the agreed-upon period.

Furthermore, as a form of protection for FTEC workers, Article 61A of Law Number 13 of 2003⁵ mandates employers to provide compensation money to workers/labourers whose employment relationship ends due to the completion of the FTEC period. Provisions regarding the amount and procedure for granting this compensation money are then regulated in more detail in Article 15 and Article 16 of Government Regulation Number 35 of 2021, the calculation of which is based on the accumulated service period. Therefore, the Interim President Director's decision not to renew employment agreements for contract workers whose contracts have indeed expired, as long as it is accompanied by the fulfilment of their right to compensation money by applicable regulations, is an action that is entirely lawful and consistent with manpower law norms (Deviona et al., 2024).

Another mechanism that can be pursued in the context of personnel restructuring is the termination of employment relations based on individual performance evaluations or employee disciplinary violations. Labour legislation provides a legal basis for employers to terminate employment relationships if workers are proven to have violated provisions stipulated in Employment Agreements, Company Regulations, or Collective Labor Agreements, naturally

⁴This article of the Law, as amended in Article 81 of Government Regulation in Lieu of Law Number 2 of 2022.

⁵This article of the Law, as added in Article 81 of Government Regulation in Lieu of Law Number 2 of 2022.

after undergoing formal procedures such as issuing warning letters in stages. Article 154A section (1) point j and point k of Law Number 13 of 2003⁶ specifically mentions that valid reasons for termination of employment relations are:

- j. The Worker/Laborer has been absent from work for 5 (five) consecutive working days or more without written explanation accompanied by valid evidence and has been summoned by the Employer 2 (two) times properly and in writing; or
- k. The Worker/Laborer violates provisions stipulated in the Employment Agreement, Company Regulation, or Collective Labor Agreement and has previously been issued first, second, and third warning letters consecutively, each valid for a maximum of 6 (six) months unless otherwise stipulated in the Employment Agreement, Company Regulation, or Collective Labor Agreement.

The implementation of termination of employment relations based on such performance evaluation or discipline must still guarantee the fulfillment of workers' rights as regulated in Article 156 of Law Number 13 of 2003⁷ concerning severance pay, service appreciation pay, and compensation for rights, the calculation details of which are contained in Article 51 and Article 52 of Government Regulation Number 35 of 2021 (Mustakim, 2025). Thus, termination of employment relations initiated due to an objective, transparent performance evaluation and disciplinary enforcement process that complies with applicable legal procedures is a juridically justifiable action (Hernawan, 2016).

Furthermore, the significant financial loss experienced by the Regional Public Corporation for Water Utility of Makassar City also opens a legal avenue for the company to undertake efficiency measures, one implication of which may be the termination of employment relations for some of its workers. Article 154A section (1) point b of Law Number 13 of 2003⁸ stipulates that:

“Termination of Employment Relations may occur because the company is carrying out efficiency measures, whether followed by Company Closure or not followed by Company Closure, due to the Company experiencing losses.”

This provision provides a juridical basis for companies facing severe financial difficulties rationalising their workforce size to maintain operational sustainability and prevent greater losses. Of course, the normative rights of workers affected by termination of employment relations for this reason of

⁶This article of the Law, as added in Article 81 of Government Regulation in Lieu of Law Number 2 of 2022.

⁷This article of the Law, as amended in Article 81 of Government Regulation in Lieu of Law Number 2 of 2022.

⁸This article of the Law, as added in Article 81 of Government Regulation in Lieu of Law Number 2 of 2022.

efficiency are still guaranteed and protected by Article 156 of Law Number 13 of 2003⁹ concerning severance pay, service appreciation pay, and compensation for rights, the calculation details of which are contained in Article 43 of Government Regulation Number 35 of 2021. Therefore, if the Regional Public Corporation can prove its loss condition factually and transparently, efficiency measures, including personnel reduction, can be legally justified, provided that procedures and the fulfillment of workers' rights are fully implemented by provisions (Wijaya, 2018).

The authority of an ROE's Board of Directors, including an Interim President Director who, based on Article 17 of Makassar Municipal Regulation Number 7 of 2019, carries equivalent duties, authority, and obligations to conduct internal evaluations regarding the effectiveness and efficiency of human resources is also explicitly affirmed in sectoral ROE regulations. Article 78 section (4) and section (5) of Ministerial Regulation Number 23 of 2024 grant discretion to the Board of Directors to appoint and dismiss Water Utility ROE employees based on an analysis of real needs, workload assessment, and the financial capacity of the Water Utility ROE. Decision-making in this regard must be supported by objective data and analysis to ensure that the personnel structure aligns with the company's operational needs and financial capacity.

One objective indicator often used in the drinking water industry to assess personnel efficiency is the ratio of the number of employees per thousand customers (Suryadi, 2024). This indicator is officially recognized and regulated in Article 3, section (3) point b(10) of Ministerial Decision Number 47 of 1999. The number of employees at the Regional Public Corporation for Water Utility of Makassar City reportedly exceeds 1,400 to serve approximately 200,000 customers (including inactive customers), which results in an employee ratio of around 7.76 per thousand customers. This figure significantly exceeds the ideal ratio generally established in industry practice and related guidelines, a maximum of 5 (five) employees per thousand customers. The existence of this significant disparity between the actual and ideal ratios provides a strong justification for the management of the Regional Public Corporation, including the Interim President Director, to conduct an in-depth evaluation of the personnel structure and numbers as part of efforts to restore the company's health and improve efficiency.

In the context of corporate turnaround, especially for entities with public service responsibilities facing severe financial pressure, personnel restructuring policy often becomes a dilemma yet unavoidable choice (Harmen et al., 2025). Utilitarian philosophy, popularized by thinkers such as Bentham (1789) and Mill (1863), teaches that an action or policy can be judged ethical and right if it is

⁹This article of the Law, as amended in Article 81 of Government Regulation in Lieu of Law Number 2 of 2022.

capable of producing the most excellent utility or happiness for the most significant number of people (the greatest happiness for the greatest number). In the case of a loss-making ROE, the decision to implement efficiency measures, although it may have unpleasant consequences for a small number of employees, can be seen as an effort aimed at saving the company's overall existence, ensuring the continuity of vital drinking water services for hundreds of thousands of customers, and safeguarding regional financial health in the long term. Of course, implementing this utilitarian principle in industrial relations must always be balanced with respect for the principles of justice, proportionality, and the fulfillment of workers' normative rights as mandated by positive law.

Considering the complexity and sensitivity of personnel restructuring policy and the various legal bases that have been described, the question of whether such an action constitutes a 'strategic decision' exceeding the limits of an Interim President Director's authority should be examined more clearly and proportionally. Referring to the conclusion in the previous sub-section that the Interim President Director, based on Makassar Municipal Regulation Number 7 of 2019, carries the same duties, authority, and obligations as a definitive board of directors, the authority to conduct complete company management (*volle bestuursbevoegheid*) principally rests with him or her. Managerial actions such as not renewing FTECs that have indeed expired, carrying out termination of employment relations based on performance evaluations or disciplinary actions by legal procedures, or implementing efficiency measures due to losses and based on objective employee ratio analysis are more appropriately categorized as part of management acts (*bestuursdaad*) and essential operational management for restoring the company's health and efficiency.

These steps are qualitatively different from fundamental corporate decisions that alter the company's existence or basic structure—such as amendments to the Articles of Association, mergers, acquisitions, or even company dissolution—which generally fall under the exclusive domain of the General Meeting of Shareholders or the Capital Owner's Authorized Representative. Therefore, as long as such personnel restructuring policy is planned and executed in compliance with all provisions in manpower law and ROE regulations and is based on an objective analysis of the company's needs, then such action is juridically within the legitimate scope of authority of an Interim President Director.

Based on a series of in-depth juridical analyses of various provisions in Law Number 13 of 2003 and its implementing regulations, as well as specific regulations governing ROEs and notably the Regional Public Corporation for Water Utility of Makassar City, a conclusive understanding can be drawn that the planned personnel restructuring policy discussed or undertaken by the Interim President

Director has a strong and accountable legal foundation. Each mechanism contained in such a plan—whether it be the non-renewal of expired employment contracts, the termination of employment relations based on performance evaluations and disciplinary actions by procedures, or the termination of employment relations for measurable company efficiency reasons—can be lawfully implemented as long as all legal procedures and the fulfillment of workers’ normative rights are carried out carefully and entirely by the mandate of the applicable legislation. Thus, the view stating that an Interim President Director is automatically not authorized to make policies impacting personnel structure merely because of his or her temporary status does not entirely find a solid footing when confronted with a comprehensive legal construction, especially given the whole delegation of authority through Makassar Municipal Regulation Number 7 of 2019 and the urgent need for corporate turnaround.

CONCLUSIONS AND SUGGESTIONS

Based on the comprehensively elaborated results and discussion, it can be concluded that the juridical analysis of the authority of the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City, in the context of personnel restructuring policy, demonstrates a solid legal foundation for the actions taken. The appointment of the Interim President Director by the Mayor of Makassar as the Capital Owner’s Authorized Representative amidst a total vacancy in the Board of Directors and Supervisory Board of the Regional Public Corporation for Water Utility of Makassar City is valid and possesses legitimacy based on legislative provisions governing ROEs, including Government Regulation Number 54 of 2017, and Makassar Municipal Regulation Number 7 of 2019, which grant authority to the Capital Owner’s Authorized Representative to undertake company management measures in emergency conditions to maintain operational continuity.

Furthermore, the determination of the legal regime governing the general scope of authority of an Interim Director of the ROE unequivocally points to the primacy of corporate law and sectoral ROE regulations rather than state administrative law norms that govern interim officials in the context of the State Civil Apparatus. Arguments attempting to limit the strategic authority of the Interim President Director of the Regional Public Corporation by referencing Circular Number 2/SE/VII/2019 have proven to be less relevant, considering that a Regional Public Corporation, as a regional corporate entity, is subject to corporate governance principles and specific provisions in Makassar Municipal Regulation Number 7 of 2019, which, conversely, grant duties, authority, and obligations to an Interim Director equivalent to those of a definitive Board of Directors. Consequently, the Interim President Director holds full company management authority, albeit within a temporary timeframe.

Directly concerning the personnel restructuring policy that has been a primary focus, an in-depth analysis of the various mechanisms contained therein—including the non-renewal of expired FTECs and the implementation of termination of employment relations based on performance evaluations, disciplinary actions, or efficiency measures due to company losses and employee ratio analysis—indicates that these actions have a strong juridical basis in Law Number 13 of 2003 and its implementing regulations, and are supported by specific ROE regulations that grant authority to the Board of Directors in human resource management. Therefore, the personnel restructuring policy planned or implemented by the Interim President Director of the Regional Public Corporation for Water Utility of Makassar City, provided it complies with all formal procedures and the fulfillment of workers' normative rights by applicable provisions, is lawful and falls within the scope of his or her authority for corporate turnaround and efficiency.

Based on the juridical conclusions above, several suggestions can be formulated for improving ROE governance and enhancing public understanding in the future. *First*, to Regional Governments as the Capital Owner's Authorized Representative, it is recommended to always ensure that every appointment of an Interim Director of the ROE is based on clear criteria of competence and integrity and is supported by an appointment decree that explicitly details his or her duties, authority, and responsibilities, especially in crisis or transitional situations, to minimize potential ambiguity. *Second*, for Boards of Directors of ROEs, including interim officials, it is expected that they exercise company management authority prudently, professionally, and transparently and always adhere to the principles of good corporate governance, particularly in making significant decisions such as personnel restructuring, by ensuring adequate socialization and the complete fulfillment of workers' rights.

Furthermore, to the broader public and promoters of public discourse, it is hoped that all criticism and oversight of public policies, including those related to ROE management, will always be based on a comprehensive understanding of the applicable legal construction and accurate facts. It is important to create constructive dialogue and avoid disinformation that could harm various parties. Lastly, for legal academics and researchers, the issue concerning the harmonization between the principle of managerial autonomy of ROEs as corporate entities and aspects of public accountability and state oversight, as well as the legal status and authority of interim organs such as Interim Directors, constitutes an interesting and relevant area of study to be continuously developed to contribute to the refinement of the regulatory framework and governance practices of ROEs in Indonesia.

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