

# Recent Development of Legal Framework of Labor Law in Indonesia

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## I. Introduction

Indonesia is the fourth most populous country in the world<sup>1</sup> with millions of labor force. The dominance of informal workers has been one of the features of the Indonesian labor market. According to the latest announcement of the Central Bureau of Statistics (BPS) dated November 5, 2020, due to the influence of coronavirus, the unemployment ratio became higher at the time of August by 1.84% to be 7.07%. The number of unemployment increased by 2,670,000 people comparing with the same month (August) last year and the total unemployment population became 9,770,000 people. According to the announcement, in addition to the development of a digital economy, the working force in the informal sector has increased due to coronavirus by 4.59% and the total number in the informal sector became 77,680,000 (60.47%) and formal sector became 50,770,000 (39.53%) people which occupies 7.07%.<sup>2</sup>

With the implementation of digital technology, the number of unemployment is considered to further increase to add to the already large number of unemployment, especially for the workers who have a lack of knowledge and skills, though it might realize economic efficiency.<sup>3</sup> Indonesia's employment situation also will depend on the investors from abroad, where rapid changes in information technology and digital economy will be brought in or transferred its skill-to-operate and technology which are expected to improve Indonesia's national economy. Additionally, though it might be a tentative wave, the effect of Covid-19 has resulted in the drop of foreign investors and regulations for ease of exporting and government aid to business owner in terms of import tariff during Covid-19.<sup>4</sup> Further, for the continuation of the economy amid Covid-19, the Government have granted aids to business owner by relieving import fee during the pandemic which is regulated by the Decree of the Ministry of Finance No. 134/PMK.010/2020 and Ministry of Industry No. 23 of 2020 regarding the Implementation of Import-Duty Tariff Utilization under the User Specific Duty-Free Scheme and the Framework for the Agreement between the Republic of Indonesia and Japan on Economic Partnership during the Corona Virus Disease 2019 Public-Health Emergency, Regulation of the Minister of Industry No. 31 of 2020 regarding Implementing Guidelines for the Utilization of Government-Borne Import Duty Facilities for

1. The total population of Indonesia in 2019 was 271 million. See United Nations, Department of Economic and Social Affairs, Population Division. *World Population Prospects 2019: Highlights*, Pg. 12.

2. Statistics Indonesia [Badan Pusat Statistik (BPS)]. Official Statistic News, November 2020 [*Berita Resmi Statistik*], Pg. 4.

3. Utomo, Susilo Setyo. "Guru Di Era Revolusi Industri 4.0" [Teachers in the Industrial Revolution Era 4.0], Pg. 6.

4. Bureau of Communication and Information Services, Ministry of Finance of the Republic of Indonesia [Biro Komunikasi dan Layanan Informasi Kementerian Keuangan RI]. 2020. *Pemerintah Waspada Dampak Pandemi Covid-19 Terhadap Ekonomi Indones* [The government is alerted of the Covid-19 pandemic's impact against Indonesian economy], at a press conference held on April 17, 2020, <https://www.kemenkeu.go.id/publikasi/siaran-pers/siaran-pers-pemerintah-waspada-dampak-pandemi-covid-19-terhadap-ekonomi-indonesia/>, accessed November 9, 2020.

Imports of Goods and/or Services by Certain Industrial Sectors affected by the Corona Virus Disease 2019 (Covid-19) Pandemic.

Digitalization has been on-going in Indonesia. One of the well-known samples will be Gojek. Even today, business models in the transportation service sector have developed in the form of *ride-hailing* and *ride-sharing* applications, known as Gojek. Gojek is an Indonesian pioneer in application-based online transportation services directly to customers. It has expanded its network to many major cities in Indonesia. The application itself does not limit to providing transportation services, but also financial services. Users can virtually transfer and store money within the application, which later used to pay for services or products they have ordered. In fact, according to New York-based CB Insights, Gojek has a valuation of US\$10 billion.<sup>5</sup>

Another sample of digitalization in Indonesia will be the high increase of consumption by the middle-income groups. The group consumption has grown at 12% annually since 2002. 15 million credit cards are circulated in Indonesia and 90 million internet users are shopping through e-commerce of which market is forecasted to reach US\$50.7 billion in 2024 according to the Fitch research.

In South-East Asia, Indonesia is one of the leading countries in terms of digital economic growth as reported in the fourth South-East Asia e-Conomy report by Google, Temasek and Bain & Company released. Indonesia's digital economy this year is projected to approach US\$40 billion and is predicted to reach US\$130 billion in 2025. Jakarta, as well as its surrounding districts, is still the main driver of Indonesia's digital economic growth weighing US\$555 per capita compared to those of non-metropolitan areas which are only US\$103 per capita. However, non-metropolitan areas are expected to grow twice as fast in the next 6 years.<sup>6</sup>

## II. The situation of Indonesian labor in facing the Industrial Revolution 4.0

From the labor perspective, digitalization has both positive and negative impacts. This could open up opportunities for business development, which has positive and negative impacts on employment.<sup>7</sup> One of the characteristics of Industrial Revolution 4.0 or the digital revolution is the application of Artificial Intelligence (AI), which is characterized by automation in various fields.<sup>8</sup> It has made many jobs that are normally done by humans being replaced by machines which have happened in several sectors such as banking, factories, construction, and other sectors.

According to Indonesian Bank Workers Union's Communication Network, from 2016 until the end of 2018, 50,000 bank employees have been terminated<sup>9</sup> because they were disrupted by the digitalization system. In the legal industry, AI has been utilized to review business contracts, because it has an accuracy rate of 94% and only requires a shorter time which about 26 seconds in reviewing business contracts, hence took over some of the advocates' jobs.<sup>10</sup>

Another example of applying digitalization is non-cash transactions at toll gates. The change in the payment system has resulted in the redundancy of toll booth officers because it has been replaced by card

5. Sarna, Karlis, "Go-jek Joins 'Decacorn' Ranks With \$10 Billion Valuation," *Bloomberg*, April 6, 2019, <https://www.bloomberg.com/news/articles/2019-04-06/indonesia-s-go-jek-joins-decacorn-ranks-with-10b-valuation>, accessed January 20, 2020.

6. Google, Temasek, Bain & Company, *e-Conomy SEA 2019: Swipe Up and To The Right: Southeast Asia's \$100 Billion Internet Economy*, Pg. 18.

7. Sayekti, Nidya Waras. 2018. "Tantangan Perkembangan Ekonomi Digital di Indonesia" [The challenges of Digital Economy in Indonesia]. *Info Singkat* 10 (5): Pg. 21.

8. Tjandrawinata, Raymond R. 2016. "Industri 4.0: Revolusi Industri Abad Ini dan Pengaruhnya pada Bidang Kesehatan dan Bioteknologi" [Industry 4.0: Industrial Revolution in this Century and its Impact to Health and Biotechnology]. *Jurnal Medicinus* 29 (1): Pg. 39.

9. Rachman, Fadhly Fauzi. "Digantikan Mesin, 50.000 Karyawan Bank di RI Kena PHK" [Replaced by Machines, 50,000 Bank Employees in Indonesia Are Terminated], *detikFinance*, January 16, 2019, <https://finance.detik.com/moneter/d-4386840/digantikan-mesin-50000-karyawan-bank-di-ri-kena-phk>, accessed February 10, 2020.

10. See, Putro, Widodo Dwi. 2019. "Demitologisasi Metode Penelitian Hukum" [Demitologization of Legal Research Method], paper presented in Legal Research Methods Seminar held at Faculty of Law, Mataram University, January 17, 2019.

reader machines for cashless transactions with electronic money. Although some toll officers are still stationed to serve and guarantee smooth transactions, most of the officers are no longer in charge of this job.<sup>11</sup> PT Jasa Marga (a company who provides toll road services) revealed that workers who were affected by the change were given a worker empowerment program called “ALIFE.” In the program, the affected workers are given choices such as (i) move to become Head Office staff, (ii) move to become branch office employees, (iii) move into employees at the subsidiary, (iv) become entrepreneurs at the restaurant in the company’s toll road area and (v) early retirement.<sup>12</sup> Other samples of the digitalization that have affected a number of workers in Indonesia are shown in Table 1.

Table 1. Digitalization in public services field

No.	Online Services Field	Location	Remarks	Affected Labor Areas
1	Immigration Auto Gate <sup>13</sup>	International airports (Jakarta, Bali)	Immigration inspection services in the checkpoints	Inspectors at immigration gates
2	Investment Coordinating Board	Jakarta HQ and branches in cities	Online Single Submission (OSS)	Administration officers on the front desk
3	e-Court	Jakarta and other big cities	Filing Law Suit in Civil Court without attending the court	Court clerks
4	e-Citizenship Identification Card	National level	ID card using electronic chip	Entry data officers (e-Citizenship identification card lasts forever)
5	Mobile Driver Licenses Extension Services	Big cities and selected regents	License extension services inside the car (for cars & motorcycles)	Administration officers
6	e-Billing <sup>14</sup>	National level	Tax payment by using billing code	Payment administration officers on the front desk
7	Electronic Traffic Law Enforcement (ETLE)	Jakarta and other big cities	Drivers will get a penalty for any violation to traffic rules	Traffic Police

Source: Compiled by the author.

Another example of a rather advanced digitalization is e-Court. Now, in Jakarta and other big cities, civil lawsuits are already facilitated by the e-Court. Advocates are now able to register their cases online after they register themselves in the system (*e-Filing*), then make payment of the case fee online (*e-Payment*), arrange summons by electronic channels (*e-Summons*), and online-conducted trials (*e-Litigation*).<sup>15</sup> While e-Court services have brought convenience for justice seekers throughout Indonesia, it has also negatively affected

11. Jasa Marga (Persero) Tbk. *2017 Annual Report: Transformation for Sustainable Growth*, Pg. 85.

12. *Ibid.* Pg. 50.

13. The auto gate provided for electronics passport holders to pass the immigration to enter and exit Indonesian territory. This auto gate system provides ease of immigration inspection services in the checkpoints for Indonesian citizens. Directorate General of Immigration, Ministry of Law and Human Rights, Republic of Indonesia. 2020. *Implementasi Autogate Keimigrasian Di Bandara Internasional Soekarno-Hatta* [Implementation of Immigration Autogate in Soekarno-Hatta International Airport], <http://www.imigrasi.go.id/index.php/berita/berita-utama/79-implementasi-autogate-keimigrasian-di-bandara-internasional-soekarno-hatta>, accessed January 29, 2020.

14. The electronic tax payment method uses the billing code, an identification code issued through the billing system for a type of tax payment or deposit to be made by a taxpayer. All process done by online. Directorate General of Taxes, Ministry of Finance of Republic of Indonesia, *e-Billing*, <https://www.pajak.go.id/id/electronic-billing>, accessed January 24, 2020.

worker registration at the court. The court clerks must begin to improve their competency to continue providing services according to e-Court service standards or else face redundancy because it has been taken over by an electronic system. Referring to the table above, digitalization in the field of government services has increased. This has caused a decline in the recruitment of workers in the government field. Based on the Supreme Court Decision No. 3 2018 and perfected with Supreme Court Decision No.1 2019 that refer to Presidential Regulation No. 95 2018 regarding Electronic Governmental System. This is one of the examples of technological disruption in Legal and Courtship with prevalent laws, including Law No. 3 of 2009 regarding the Second Amendment of Law No. 14 of 1985 regarding Supreme Court, Law No. 49 of 2009 regarding the Second Amendment of Law No. 2 of 1986 regarding General Court, Law No. 51 of 2009 regarding the Second Amendment of Law No. 5 of 1986 regarding the State Administration Court, Law No. 50 of 2009 regarding

Table 2. Digitalization in private services field

No.	Online Services Field	Location	Remarks	Affected Sector
1	Grab Group <sup>16</sup>	222 cities & regents <sup>17</sup>	Providing online services such as online taxi; sending or picking up any good/ document; ordering food; and grocery	Conventional taxi services
2	Gojek Group <sup>18</sup>	167 cities & regents <sup>19</sup>	Providing online services, such as sending or picking up any good/ document; cleaning house; massage; shopping at supermarket and beauty salon services	Conventional taxi services
3	Tokopedia <sup>20</sup>	Indonesia	Online shop for various products, from buying books, electricity payment, goods, material and others	Conventional markets & shops
4	Shopee <sup>21</sup>	Indonesia	Online Shop with various products	Conventional markets & shops
5	Ruangguru <sup>22</sup>	Indonesia	School tutoring	Conventional tutoring

15. Supreme Court of the Republic of Indonesia [Mahkamah Agung RI]. 2019. *e-Court Manual Book: 2019, The Electronic Justice System* [Buku Panduan e-Court: 2019, The Electronic Justice System], Pg. 7.

16. Grab is a company that started in Kuala Lumpur, Malaysia. Now Grab has become one of Southeast Asia's largest mobile technology companies that connects millions of consumers to millions of drivers, merchants, and businesses that provide services such as GrabRide, GrabCar, GrabFood, GrabExpress, GrabRewards, GrabFresh, Subscriptions, GrabKios, GrabGifts, GrabKios, GrabAds, Grab for Business. Grab, <https://www.grab.com/id/en/>, accessed January 24, 2020.

17. Grab, Where We Are, <https://www.grab.com/id/locations/> accessed February 11, 2020.

18. Gojek's journey began in 2010 as a motorcycle ride-hailing call center in Indonesia. Gojek is now a leading technology group of platform serving millions of users in Southeast Asia. Gojek has contributed around Rp44.2 trillion (US\$3 billion) to the Indonesian economy as of end of 2018. Gojek's ecosystem supports the growth of MSMEs in Indonesia. 93% of MSME partners experience an increase in transaction volume and 55% of them experience an increase in earnings. Gojek, About Us, <https://www.gojek.com>, accessed January 24, 2020.

19. Gojek, "Kini Gojek hadir di 167 kota dan kabupaten Indonesia" [Now Gojek exists in 167 cities and regents in Indonesia], <https://www.gojek.com/blog/gojek/go-jek-dimana-mana/>, accessed February 11, 2020.

20. Tokopedia is an Indonesian e-commerce company. There are 6.4 million Indonesians who have started and developed their business with Tokopedia, spread in 96% of cities / regencies in Indonesia where 86.5% of them are new entrepreneurs, who are building Indonesia's future brands by marketing more than 200 million types of goods to all corners of the country, reaching up to 97% of districts in Indonesia. Tokopedia, <https://www.tokopedia.com/about/>, accessed January 24, 2020.

21. Shopee launched in 2015, is the leading e-commerce platform in Southeast Asia and Taiwan. Shopee, <https://careers.shopee.com/about/>, accessed January 24, 2020.

22. Ruangguru develops various technology-based learning services, including virtual classroom services, online exam platforms, subscription learning videos, private tutoring markets, and other educational content that can be accessed through the web and Ruangguru applications. Ruangguru has a mission to provide and expand access to quality education through technology for all students, anytime and anywhere. Ruangguru, <https://ruangguru.com/general/about>, accessed January 24, 2020.

Table 2. Continued.

No.	Online Services Field	Location	Remarks	Affected Sector
6	Halodoc <sup>23</sup>	Indonesia	Consultation of common illness	Conventional doctors & clinics
7	Traveloka <sup>24</sup>	Indonesia	Travel agents	Conventional travel agents, hotels
8	Digital Payment (Ovo, GoPay, Dana)	Indonesia	Digital Wallet Service for online payment by using application on smartphone	Cash money, credit cards
9	E-Money	Indonesia	Payment using electronic card contains money in form of electronic data	Cash money, credit cards
10	Online Loan Service (Kredivo, Tunaiku, KreditPintar)	Indonesia	Giving loan to customers requiring ID card only and no warranty, but the interests are quite high	Conventional banks, credit cards

Source: Compiled by the author.

the Second Amendment of Law No. 7 of 1989 regarding Religious Court, Law No. 31 of 1997 regarding Military Court, Law No. 18 of 2003 regarding Advocate, Law No. 19 of 2016 regarding changes to Law No. 11 of 2008, Law No. 14 of 2008 regarding Public Information Transparency, Law No. 25 of 2009 regarding Public Service, Law No. 48 of 2009 regarding Judicial Power.

Similar to the services provided by the government (public services), private businesses also provide various online services. The services provided are listed in Table 2.

E-commerce companies, such as Shopee, Tokopedia and transportation application technology companies including online food delivery services, such as Gojek and Grab, have helped to develop Indonesia's digital economy. With the rise of digital transactions in Indonesia through these digital applications, it is estimated that in 2025 the value of Indonesia's digital economy will reach US\$100 billion.<sup>25</sup>

### III. Digitalization and fulfillment of basic labor rights

Although digitalization affects the labor force in some industries and reduces job demands in some fields, digitalization also brings a tremendous innovation in creating a new opportunity. In Indonesia, one such innovation manifested in unique digital transportation services provided by a tech startup known as Gojek. Gojek is a multi-service tech platform, which was founded in 2010, providing access to a wide range of services including transportation, payments, food delivery, logistics, and many more.<sup>26</sup> It was first served as an online motorcycle taxi, and then cars. The service extends to various fields, such as *GoSend*, *GoClean*, *GoMassage*, *GoMart*, and *GoGlam*. Because of its easy and practical use, Gojek has gained public attention and dependence. Gojek has partnered with more than 2 million drivers in Indonesia as of March 2019.

As explained above, digitalization and labor sector have a tight and inseparable relationship. The usage of technology in the Industrial Revolution 4.0 has to be in harmony with the fulfillment of basic labor rights. At the time being, Labor Law No. 13 of 2003 only stipulates rights and obligations for workers with direct

23. Halodoc is a technology company from Indonesia where people can talk to specialist doctors, buy drugs, and conduct laboratory tests via a smartphone anytime, anywhere for 24 hours. Halodoc, <https://www.halodoc.com/media>, accessed January 24, 2020.

24. Traveloka is a leading Southeast Asia online travel company that provides a wide range of travel needs in one platform. The company has established partnerships with more than 100 domestic and international airlines, serving more than 200,000 routes worldwide. Traveloka, <https://www.traveloka.com/en-id/about-us>, accessed January 24, 2020.

25. Pusparani, Indah Gilang. 2018. "Tahun 2025, Nilai Ekonomi Digital Indonesia 100 Miliar Dollar AS" [In 2025, Indonesia's Digital Economy Value is USD 100 Billion] *GoodNews from Indonesia*, November 20, 2018, <https://www.goodnewsfromindonesia.id/2018/11/20/tahun-2025-nilai-ekonomi-digital-indonesia-100-miliar-dollar-as>, accessed February 10, 2020.

26. Gojek, "About Us," <https://www.gojek.com/sg/about/>, accessed February 10, 2020.

employment. The protection as mentioned in the Gojek or Grab group services as a partnership has not been regulated. The current terms and conditions for direct-contract workers are as follows:

1. Protection of wages and welfare
2. Rights to workers' social security
3. Occupational safety and health protection
4. Legal protection to form and take part as members of workers/labor unions
5. Protection of basic rights of workers/laborers to negotiate with employers<sup>27</sup>

In Gojek situation, Partnership Cooperation Agreement (*perjanjian kerjasama mitra*) is a set of provisions that govern the relationship between the user, the individual driver (partner), and PT Paket Global Semesta (limited liability company of Gojek).<sup>28</sup>

This agreement is not yet regulated in any of the legal instruments for labor laws in Indonesia, including the rights and obligations that follow. Because Gojek drivers are deemed as “partners” and not employees, they cannot be classified as neither permanent worker nor fixed-term worker.

Indonesian labor law dictates that the elements of a labor relation must contain work, wage, and order. While work and order are implicitly present in the partnership agreement between Gojek and their partner, wage is a less clear element in the relationship. This is due to the fact that the end-consumers, not Gojek itself, are the ones who pay these partners. Further Article 1 point 6 of the Labor Law says “hiring a worker by paying wage or reward in any other form” which means paying rewards as a form of incentive can also be categorized as paying wage and included as hiring a worker. Gojek itself incentivizes its drivers based on individual target, hence the wage element is fulfilled further, the definition of wage refers to Article 1 point 30 of the Labor Law, which is a reward in the form of money. Wage itself is categorized into a number of types, one of which is wage based on result. In the case of Gojek, drivers have the incentive after meeting the target of a certain threshold. Therefore, Gojek indirectly applies remuneration system based on the quantity of the work result. As a result, the work system at Gojek meets the element of remuneration.

As for regulations relating to online transportation, a number of them are already in effect in Indonesia. These regulations include Regulation of the Minister of Transportation (*Permenhub*) No. 12 of 2019 concerning Protection of Safety of Motorcycle Users Used for Public Interest, Minister of Transportation No. KP 348 of 2019 concerning Guidelines on Calculating Service Fees for the Use of Motorcycle for Public Interest Conducted with Applications, and also *Permenhub* No. 18 of 2020 concerning Transportation Control in the Context of Preventing the Spread of Covid-19, just to name a few. However, these regulations are insufficient to accommodate current pace of digitalization since they are only derivative regulations. As a starter, a law is needed to regulate partnership as a form of working relation for legal certainty.

The lack of social security for online transportation drivers is also an emerging issue since companies such as Gojek do not provide it. Provisions regarding social security are stipulated both in the 1945 Constitution and in Law No. 24 of 2011 concerning the Social Security Organizing Agency (BPJS).<sup>29</sup> In essence, it states that “*Every person has the right to social security which enables his/her development as a dignified human being.*” BPJS security should consist of health and employment social security. Additionally, companies have other obligations that must be given to their employees, such as providing training, severance payment in case the working relations are ended, annual leave, maternity leave, long sick leave, and many other facilities and

27. Suhartoyo, S. 2018. “Perlindungan Hukum Bagi Pekerja Peserta BPJS Kesehatan di Rumah Sakit” [Legal Protection for Workers Participating in Social Insurance Health in Hospitals] *Administrative Law and Governance Journal* 1(1): 49–66.

28. As seen from *Partnership Cooperation Agreement of Gojek*, <https://www.gojek.com/app/kilat-contract/>, accessed February 10, 2020.

29. National Social Security System program is regulated in Law No. 40 of 2004 concerning the National Social Security System.

allowances protected by labor law.

However, as partners, Gojek drivers are not entitled to those rights because the labor partnership agreement is not yet regulated in any of the labor law instruments. Gojek can also not be blamed since there is an absence of law to set out rules for this matter. The agreements set up among partners stated that their position is as a partner (partnership agreement) and not an employee (employment agreement). Therefore, there is no obligation to pay health insurance or employment guarantees to the drivers. Since the number of online drivers continues to grow, the rules and protections for online workers must be regulated as soon as possible by the government.

With the conditions mentioned above, the employment situation in Indonesia faces challenges and also the impact of digitalization implementation such as:<sup>30</sup>

1. The application of digital technology requires new competencies
2. Engineering technological innovation
3. Changes in structural position and profession
4. Many workers will be replaced by automatic machines
5. Potential cases of layoff disputes
6. Changes in the pattern of work relationships: flexible work agreements, flexible hours and working days, wage arrangements, occupational safety, and health protection, social security protection, adjustment of laws and regulations.

Due to the problems presented as the effects of the Industrial Revolution 4.0, the Indonesian government ought to overcome these problems, one of which is supposed to be through the development of Omnibus Law.

#### IV. Omnibus Law

On October 5, 2020, the Indonesian Parliament has signed the draft of Job Creation Law, the so-called “Omnibus Law.” Further, Ir. Joko Widodo, the President of the Republic of Indonesia, signed Law No. 1 of 2020 concerning Job Creation on November 3, 2020. The “Omnibus Law” itself is not a common and familiar term for most Indonesians, especially because it is a system used in the *common law* countries. The concept of the Omnibus Law itself is to pass a new law by amending several laws at once.<sup>31</sup>

The Omnibus Law, or also known as Job Creation Law, is consisted of 5 chapters and 174 articles. It also affects 1203 articles from 79 related laws. Areas affected by this new law include Enhancement of the Investment Ecosystem; Employment, Facilities, Protection, and Empowerment of Union and Small and Medium-Sized Enterprises; Ease of Doing Business; Research and Innovation Support; Land Acquisition; Economic Region; Central Government Investment and Acceleration of National Project; Implementation of Government Administration; and Penalty,<sup>32</sup> among others.

In summary, matters of interest outlined within the Job Creation Law including the simplification and adjustment of a number of rulings taken from a number of existing laws which amount to a total of 79 laws. Job Creation Law is divided into 10 clusters, specifically:

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30. Simanjuntak, Payaman. 2019. “Peran Konsultan Hukum Ketenagakerjaan di Era Digital” [The Role of Labor Law Consultants in the Digital Age], paper presented at National Seminar on Industrial Relation Pattern in the Industrial Revolution 4.0 held by Indonesia Labor Law Consultant Association (ILLCA), Jakarta, August 29, 2019, Pg. 8.

31. See *Black’s Law Dictionary, 10th ed.* The term “omnibus bill” defined as follows: 1. A single bill containing various distinct matters, usu. drafted in this way to force the executive either to accept all the unrelated minor provisions or veto the major provision. 2. A bill that deals with all proposals relating to a particular subject, such as an “omnibus judgeship bill” covering all proposals for new judgeships or an “omnibus crime bill” dealing with different subject such as new crimes and grants to states for crime control. Garner, Bryan A. and Henry Campbell Black. 2014. *Black’s Law Dictionary, 10th ed.* St. Paul, MN: Thomson Reuters, Pg. 196.

32. Article 4, Law No. 11 of 2020 concerning Job Creation.

1. Enhancement of the investment ecosystem

**2. Labor**

A number of provisions that inhibits investment are changed in 6 areas: **(1) Wage, (2) Severance payment, (3) Fixed-term employment agreement, (4) Outsourcing, (5) Termination, and (6) Foreign workers**

3. Facilities, protection and empowerment of union and small and medium-sized enterprises' investment terms
4. Ease of doing business
5. Research and innovation support
6. Land acquisition
7. Central government investment and strategic national project acceleration.
8. Exclusive Economic Zone (EEZ)
9. State administration
10. Penalty

In the Labor Law Clusters, the laws affected by the Omnibus Law comprise of:<sup>33</sup>

1. Law No. 13 of 2003 concerning Labor
2. Law No. 24 of 2011 concerning the Social Security Organizing Agency
3. Law No. 40 of 2004 concerning the National Social Security System
4. Law No. 18 of 2017 concerning Protection of Migrant Workers

In the labor force itself, this law will apply several provisions to improve protection for workers and expand employment opportunities, which include:

**a. Wage**

In determining the increase in wages or regarding minimum wages, the Job Creation Law regulates wage increases using a formula, so that in the future, labor unions and employers' organizations are expected not to experience deadlocks when determining minimum wages. Another new issue that is regulated in this law is the existence of hourly base workers. Also, the minimum wage of District/City must be higher than minimum wage of Province.

**b. Severance payment**

In Job Creation Law, the amount of severance payment to be paid by a company has been reduced from the initial maximum of 32 times of the salary, to a maximum of 19 times with an addition of Job Loss Social Security for 6 months. In total the terminated worker will receive the maximum severance payment amounting 25 months' salary. There is also benefits for the labor including cash benefits, access to job market information and job training. This provision organized based on the principles of social insurance.

**c. Fixed-term employment agreement**

The provisions regarding fixed-term employment agreement are now more flexible and friendlier. A fixed-term employment contract may be extended or renewed for unlimited number of contract, which previously was three times at most, within a five year period.

**d. Outsourcing**

Unlike the previous rules, the provisions regarding outsourcing are simplified and more flexible. Among

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33. Parikesit, Satya Bhakti, Deputy Cabinet Secretary for Economic Affairs. 2020. "Penjelasan RUU Cipta Kerja" [Explanation of the Job Creation Act] Paper presented at Omnibus Law Seminar held at Faculty of Law, University of Indonesia, February 6, 2020, Pg. 20.

other things, there are no restrictions on the types of work that can be outsourced; other than that, to protect outsourcing workers who were promised through a contract. In the new regulation, there is protection for workers with Transfer of Undertaking Protection of Employment.

**e. Termination**

The terms and conditions of the termination of worker become less hurdle for employer. Also, in this Job Creation Law deletes issuance of the detailed regulation for termination, instead the issuance of the detailed rules is to be arranged in Government Regulation.

As explained in the Severance Payment above, in addition of the severance payment, one of the benefits received by workers terminated is Job Loss Social Security. This social security is comprised of: benefit, vocational training, and job placement access. This will also be supported by other social security such as Old Age Insurance, Death Insurance, Pension and Work Accident Insurance, and National Health Insurance.

**f. Foreign workers**

The new regulation is about the ease of issuing work permits for foreign workers who will do emergency work such as maintaining machinery. The employers are not needed to obtain an approval for Plan for Employment of Foreign Workers (RPTKA), only a short-term visit visa is required.

## V. Conclusion

Although Indonesia is a developing country, digitalization in its various sectors is developing rapidly. The development of digitalization especially in the service sector needs to be developed in providing, for example, the track record information of a prospective worker that can be accessed rapidly through technology.

As the country with the fourth largest population of 264 million in the world, rapid digitalization will have a significant impact on the economy. However, in order to maintain a sustainable economic development of people's lives to be safer and richer, as Omnibus Law shows the sectors and field of the law became wider and crosses the border of each laws to cope with reality. Therefore, in Indonesia, argument of labor law should not be focused only on conventional areas of increasing the income of laborers such as unemployment, wages, or welfare, but also on sound economic growth in a broader range which is a challenging labor law issue.

As for Omnibus Law which was originally aiming to increase FDI, most of the substantial elements needed in business are not yet clear and we have to wait for the further detailed regulations and actual implementation of the law, including decision-making in the labor court. The government is now planning to offer tax incentives to foreign investors in addition to the Omnibus Law which might promote foreign investment more effectively. The following will be the conclusion of this research:

1. In the midst of massive digitalization in Indonesia, the government has responded by carrying out administrative and regulatory reforms through the omnibus law (job creation law) so that it is digitally integrated to follow-up the vision of the ease of doing business.
2. This is a good step for the investment climate to stretch and grow in Indonesia, where legal instruments have been prepared as legal certainty and government administrative instruments to facilitate licensing.
3. The government needs to further regulate the regulation on informal workers.

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