

Indonesian Workers in Crisis

Monday 29 August 2022, by [SILAEN Muslim](#) (Date first published: 18 May 2022).

The labour situation in Indonesia is currently facing the challenge of de-industrialization which has resulted in many workers starting to turn into informal workers. The time and rules imposed in work are also now becoming more lax or flexible—the changing industry has resulted in the labour system becoming more flexible and in the end, the labour conditions in Indonesia are highly dependent on free market mechanisms. Various regulations issued by the government are increasingly seen as only an effort to adapt to the demands of the free market mechanism.

The informalisation of work has made the workers in Indonesia in an increasingly difficult situation when trying to negotiate various regulations issued by the company. The situation also impacted the Labour Unions who are starting to experience a decrease in their bargaining power especially in filing claims and during their interventions on defending the interests of workers against company policies and other unfair labour practices.

The National Industrial Development Master Plan (*Rencana Induk Pembangunan Industri Nasional*) issued by the ministry of industry in 2015 (which became [Government Regulation No. 14 of 2015](#)) has compiled the prerequisites for national industrial development. The first prerequisite is encouraging infrastructure development; second, improving deregulation policies and; third, facilitation of financing. This increases the capital needs for natural resources, human resources, as well as technological innovation and creativity. The development of this national industry has resulted in changes to development in the real sense and the policies as well, which encouraged the creation of the [Law No. 11 of 2020 on Job Creation](#) in the form of an omnibus law.

The Job Creation Law, which is also commonly known as Omnibus Law, is a policy that is formally designed to create employment schemes in Indonesia. The law is also the result of various liberalisation policies which Indonesia is part of, both through WTO regulations and other agreements such as the ASEAN Economic Community (AEC), Indonesia-EFTA, RCEP, Indonesia EU CEPA and other free market agreements in an effort to bring in investment—opportunities that are obtained through the chaos of laws and regulations in Indonesia.

The derivative regulations of the Omnibus Law related to investment and free trade agreement schemes are contained in the [Presidential Regulation No. 49 of 2021](#) which amended the previously published Presidential Regulation No. 10 of 2021 on Investment Business Fields. The regulation states that all business fields in Indonesia will be open for investment except for the business fields which are declared strictly closed to investment or open only for the Central Government. This policy is the result of the imperative in the free market mechanism.

The Covid-19 pandemic has also made many changes, especially due to various restrictions which were limiting the mobility of workers in Indonesia. This condition resulted in nearly 2.9 million Indonesian workers experiencing layoffs. The government then only provided short-term incentives such as a pre-employment card program and a wage subsidy of IDR 3,000,000 (roughly USD 200) for workers who received wages below the minimum wage.

The decreasing number of informal sector workers in Indonesia actually also resulted in a decline in the value of employment in Indonesia. The type of work that is expected to accommodate workers affected by layoffs is informal workers, who are very risky and unprotected since there is no guarantee of wage protection, protection of work relations and protection of safety. The government seemed to have realised this situation, and therefore the government regulations concerning clusters of labour are divided into four categories: [Government Regulation No. 34 of 2021 on the Utilisation of Foreign Workers](#); [Government Regulation No. 35 of 2021 on Fixed Term Employment Contract, Outsourcing, Working Time and Rest Time, and Termination](#); [Government Regulation No. 36 of 2021 on Wages](#); and [Government Regulation No. 37 of 2021 on Administration of Job Loss Security Program](#).

Shifting Industry

The rapid technological developments on the other hand have required workers to undergo many transformations, both related to various technical issues and also in regards to policies where a lot of work ultimately has to be done in parallel with the use of technology, especially digitally. Various types of work that were previously done by workers are then replaced by digital technology and machines controlled through digital technology.

The pressure of liberalisation in the labour sector is the result of changes in the economic and political situation, which also created a pressure for digital transformation. Industrial shifting is unavoidable in the midst of the rapid flow of digital technology changes that are changing the face of industry both globally and nationally. Indonesia itself through industrial policies has encouraged the adaptation of technology 4.0 in the industrial world. The use of technology 4.0 in Indonesia is actually not evenly distributed; most of these digitising technologies are active in the production of services such as transportation services, logistics services, educational services, health consulting services and various other service sectors.

In the manufacturing industry sector, the changes have only occurred in several national companies. Multinational companies are quicker to adapt in changing digital technology than Indonesian companies that are shell companies or subcontractor companies from their core companies. This technological change also encourages policy changes, which so far had a clear production chain before being replaced by looser policies. There are jobs that cannot be replaced with temporary workers which are seasonal in nature and therefore many companies still maintain their industrial model by reducing production costs, especially the wages of the workers they employ.

Implementation of Digitisation

The implementation of digitalization in the industrial sector in Indonesia is still limited to general services such as marketplaces, logistics and consulting services. In discussions with labour unions in Indonesia, several companies began to apply digital technology in managerial work in company administration, such as attendance, reports and various other managerial schemes. The use of digital-based technology is still small, almost all of them still have to go through the automation process in the line of work. But in many of the more tangible industrial sectors, some are starting to be replaced by robotic hands to do their work.

Hi-Tech companies in Indonesia are becoming a cartel industry trying to maintain their dominance regarding data control. For example, some unicorns which have succeeded in pushing its valuation, namely GOTO (Gojek and Tokopedia), Traveloka, and Bukalapak.com are still having the investors from the same group as JD.id, Astra Internasional, Hera Capital, East Ventures, Emtek Group, Alibaba, Temasek, Tencent, and even Google. Digital domination which should be controlled by the government in actuality is dominated by multinational companies. These digital businesses that

involve the public's role as users are not taken seriously and therefore when there were complications and bad impacts, the government would not be able to respond quickly and ensure that the AI-based digital industry is fully responsible for controlling the impact.

The practice of careless use of digitalization due to low control and supervision, including the absence of strict rules that provide protection can be seen in the work system of several online service providers such as logistics services and financial loans. Some workers apply or register as workers online and get job guidance which is also delivered via email or specific program/application. These workers then carry out work based on the guidelines and get paid through a transfer system. Without clear provisions, unilateral termination of work can occur by terminating access to these softwares and tools where workers get job guidance, and so without any protection and clear work agreement the company has terminated work.

General Conditions After the Decision of the Constitutional Court

The liberalisation policy mentioned by the government in the context of creating job opportunities has prompted the creation of the Law No. 11 of 2020 on Job Creation in the form of an omnibus law on October 5, 2020. A year later, the Constitutional Court decided that the omnibus law had violated the constitution with a conditionally unconstitutional status. This can be seen in the [Constitutional Court Decision No. 91/PUU-XVII/2020 in relation to a petition for a formal review of Law No. 11 of 2020 on Job Creation](#). The Omnibus Law has been declared to have violated the constitution by the Constitutional Court's Decision but its implementation continues with the government's guarantee through the [Minister of Home Affairs Circular No. 188/1518/OTDA on Identification of Regional Regulations and Regional Head Regulations](#), and [Supreme Court Circular No. 5 of 2021 on Implementation of the Results of the 2021 Supreme Court Plenary Meeting as Guidelines for Implementation Duties for the Court](#).

What can be seen is that there are many regulations that should have been repealed remain in effect. The impact is that the policies in the industry continue to use the Job Creation Law and many workers experience injustice because of wage arrangements—for example, the aforementioned Government Regulation No. 36 of 2021 is still being used to regulate the minimum wage in 2022. In addition, several practices such as the Collective Labour Agreements (PKB) and other disputes resolutions also still use this rule. This condition creates legal uncertainty and losses, especially for workers.

This legal uncertainty is not only about employment and wages. Many labour disputes starting from the company level have reached a dead end due to the absence of mutual agreement because of the disagreement on the legal basis. However, many of the debates ended with acts of intimidation and resulted in termination of employment. Until now, the implementation of the derivative regulations of the Job Creation Law that has been issued is still considered valid by the government and companies.

This ironic situation puts more pressure on workers in the midst of rising prices, where workers are increasingly squeezed into dealing with post-pandemic crisis conditions. In an effort to contain dissatisfaction with government policies, the government enforces anticipation. When May Day approached, just like a routine, the government invited trade unions to communicate ahead of international labour day through the police authority in order to ensure that the May Day commemoration will take place in a conducive manner. At the same time, the government implemented a price increase, a policy of lowering interest rates so that money remains spread out in the public, a fiscal policy that ensures the passage of the State Budget through the National Education Program in the field of Public Protection in the amount of IDR 154.8 trillion (roughly USD 11 billion) , and Strengthening Economic Recovery in the amount of IDR 178.3 trillion (roughly USD

12 billion). Anticipatory actions were also carried out in the low-cost market operation scheme, especially for basic commodities, for example cooking oil subsidies of IDR 100,000/month for a target of 20 million people, and cash assistance for small traders, stalls and fishermen for 2.5 million people to subsidies for wages below minimum wage. This situation ultimately affects the decline in the wave of rejection by workers, such as workers who are afraid of not getting assistance and the threat of being laid off so they are reluctant to refuse the existing policies and join the various normative demands.

Workers in Indonesia must get protection. Protection in regards with the work process, protection in regards with the certainty of employment relations, and protection in regards with decent wages for workers. The Job Creation Law has made many changes to the labour system, resulting in the degradation of rights in all respects. Until now, in order to fight for their rights, labour groups still continue to fight against the implementation of the Job Creation Law which is increasingly perceived as a liberalisation-guarantee law to invite investment rather than for the creation of actual employment opportunities. The demands of Indonesian workers are firm to repeal the law in its entirety.

Muslim Silaen has been working at Indonesia for Global Justice since 2019 as a program officer in the fields of Employment, Digitization and Public Services. He is currently focusing on monitoring the Job Creation law in Indonesia. The article was originally written in Bahasa Indonesia and translated to English by Anisa Widyasari from Focus on the Global South.

[*Click here*](#) to subscribe to ESSF newsletters in English and/or French.

P.S.

Focus on the Global South

<https://focusweb.org/indonesian-workers-in-crisis/>