

## **The Use of Foreign Workers in the Era of Ease of Doing Business in Indonesia**

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### **Abstract**

Investment in developing countries is a crucial aspect. One of the factors considered by investors when making investments is the ease of doing business. With the simplification of regulations on the use of foreign workers in Indonesia, it is hoped that it will provide ease of doing business and attract investors to invest in Indonesia. This article aims to examine the regulations on the use of foreign workers in Indonesia after the issuance of Minister of Manpower Regulation No. 8 of 2021 regarding the Use of Foreign Workers and analyze these provisions as an effort to facilitate business activities in the process of national economic development. This article uses a normative juridical research method with a statutory approach and a conceptual approach. The data used in this article are secondary data collected through documentation and literature study (library research) techniques. The article is divided into three parts. The first part discusses the history and overview of the use of foreign workers in Indonesia. The second part reviews the regulations on the use of foreign workers in Indonesia. In the final part, there is an analysis of the simplification of regulations on the use of foreign workers in Indonesia as an effort to transform society and accelerate national economic development.

**KEYWORDS** *Ease doing Business, Foreign Workers, Investment*



## Introduction

Ease of doing business is a very important indicator for attracting foreign investors to invest in a country. In Indonesia, the ease of doing business is still at an unsatisfactory level, this is proven by looking at the *Ease of Doing Business* ( EoDB ) index, which is a ranking related to the ease of doing business in a country issued by the World Bank where Indonesia is in 40th position in the world. in 2021, even though currently the ease of doing business index issued by the World Bank has been discontinued. Ease of doing business is important because it is a reference for foreign investors to consider before deciding to invest in a country.<sup>1</sup>Therefore, in order to attract foreign investors to invest in Indonesia, the government in the Joko Widodo era continued to make various efforts to increase the ease of doing business in Indonesia.

In order to increase the ease of doing business in Indonesia, the Government has issued various policies to simplify regulations related to conducting business activities in Indonesia with the aim of facilitating the implementation of business in Indonesia, such as deregulation, debureaucratization, ratification of various international agreements, up to the ratification of Law Number 11 of 2020<sup>2</sup> concerning Ciptaker which is currently being replaced with Government Regulation in Lieu of Law Number 2 of 2022 concerning Cipta Kerja (“**Perppu Ciptaker**”), which is followed by various derivative regulations.

One way to attract foreign investors to carry out business activities in Indonesia is to provide convenience for business actors who carry out business activities in Indonesia to use human resources from outside

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<sup>1</sup>Firm, Isis, Anita. " *Ease of Doing Business* : Ideas for Legal Reform for Settlement of Investment Disputes in Indonesia". University of Bengkulu Law Journal, Vol. 4 No. 2. 2019. Pg. 119.

<sup>2</sup>Coordinating Ministry for Economic Affairs, "The Government Will Remove Regulations That Are Not In Accordance with the Spirit of Deregulation", Press Release. 5 April 2017. < <https://www.ekon.go.id/publikasi/detail/1652/govt-akan-cepat-regular-yang-tak-besar-semangat-dereg> > [Accessed on 04/09/2023] .

Indonesia, or commonly known as Foreign Workers. Normatively, foreign workers can be defined as a foreign citizen who holds a visa with the aim of working in Indonesian territory.<sup>3</sup>

If we look back, the use of foreign workers in Indonesia has been carried out since the time of President Soekarno, in certain national projects such as the construction of the Jatiluhur dam in Purwakarta which was carried out by contractors from France, the renovation of the airport in Bali which was assisted by architects from Germany and several other projects.<sup>4</sup> This is done in order to attract foreign investors, especially since there is still a need for workers in certain jobs that cannot be done by domestic or local workers, apart from that, foreign workers can also be utilized in terms of transferring technology (transfer of knowledge) from foreign workers to local workers.

Indirectly, simplifying regulations aimed at making it easier for foreign investors to use foreign workers encourages investment to enter Indonesia.<sup>5</sup> Because usually, foreign investors who have just invested in a place, will also bring in several experts from their country, this is done with the aim that foreign investors can carry out their business activities optimally, by monitoring business activities using foreign workers who come from their own country.<sup>6</sup>

Regulations related to the use of foreign workers in Indonesia have undergone several changes. Starting with Law Number 3 of 1958 concerning the Placement of Foreign Workers, which was subsequently revoked and

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<sup>3</sup>Article 1 number 1 Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers

<sup>4</sup>Rahadian Rudjan, "Revisiting the History of Foreign Workers in Indonesia", Article. 1 September 2018. < <https://www.dw.com/id/menilik-back-riwayat-pekerja-asing-di-indonesia/a-44964165> > [Accessed on 10/04/2023].

<sup>5</sup>Ministry of Industry, "JK: Foreign Workers to Encourage Investment", Article. < <https://kemenperin.go.id/article/19136/JK:-Tenaga-Kerja-Asing-untuk-Dorong-Investasi> > [Accessed on 11/04/2023].

<sup>6</sup>Hugi Vidhitasmoro, "Use of Foreign Workers by Limited Liability Companies with Foreign Investors Investing in Indonesia", Hugo Vidhitasmoro. Atma Jaya University, Yogyakarta. 2017.

replaced with Law Number 25 of 1997 concerning Employment, then after that in 2003 it was revoked and replaced with Law Number 13 of 2003 concerning Employment, don't stop there. During the era when President Susilo Bambang Yudhoyono ("SBY") took office, regulations regarding the use of foreign workers were also regulated in Law Number 25 of 2007 concerning Capital Investment and Presidential Regulation Number 72 of 2014 concerning the Use of Foreign Workers, until the current President's era. This is Joko Widodo, the regulations regarding the use of foreign workers were changed again, revoked Presidential Regulation Number 72 of 2014, replaced with Presidential Regulation Number 20 of 2018 concerning the Use of Foreign Workers, after that 2 (two) years later, President Joko Widodo ratified the Law. Law Number 11 of 2020 concerning Ciptaker (currently Law 6 of 2023 concerning the Establishment of the Ciptaker Perppu) which also revokes Presidential Regulation Number 20 of 2018 concerning the Use of Foreign Workers. Furthermore, as implementing regulations and derivatives of the Ciptaker Law, the Government issued Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers (" **PP 34/2021** ") and Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers (" **Permenaker 8 /2021** ") <sup>7</sup>which is valid to date.

With changing regulations regarding the use of foreign workers in order to support the ease of doing business in Indonesia, researchers will conduct a study regarding the current regulations for the use of foreign workers in Indonesia by referring to the provisions in PP 34/2021 and Permenaker 8 /2021.

## Method

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<sup>7</sup>Fara Marisda. "The Impact of the Foreign Worker Policy of the Joko Widodo Government Era (2014-2019) on Local Workers in Indonesia". POLGOV Journal Vol. 3, no. 1, 2022. Pg

The research was conducted using normative juridical research, using a statute approach *and* a conceptual approach *by* <sup>8</sup>examining all regulations and/or books or literature related to the use of foreign workers in Indonesia. The type of data that researchers use in this research is secondary data, namely a type of data collected through literature review, in this case secondary legal materials are journals, books and doctrines from experts regarding an analysis, as well as primary legal materials as legal materials that are binding and fundamental in nature. The technique for collecting legal materials that will be used in this legal research is document study or library *research* .

## Results and Discussions

### Ease of Doing Business Policy in Indonesia

Since it was first published in 2003, <sup>9</sup>the EoDB Index issued by *the World Bank* has been an indicator for investors to consider investing in a country, therefore this index is important for a country that needs investment, especially for developing countries . . In fact, based on the results of research conducted by several researchers from Cambridge University, it is stated that the EoDB index can be a motivation/encouragement for several countries to carry out deregulation with the aim of making it easier for investors to invest, which results in an increase in the country's ranking on the EoDB index. <sup>10</sup>The existence of the EoDB index which is announced every year creates *social pressure*<sup>11</sup> for

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<sup>8</sup>Peter Mahmud. "Legal Research", Kencana Prenada Media Group. Jakarta: 2005. p. 132.

<sup>9</sup>Ari Suyudi, "After the End of the Ease of Doing Business Survey", Article. 21 September 2021. < <https://www.kompas.id/baca/opini/2021/09/21/cepat-berakhirnya-survei-keease-berusaha> > [accessed on 15/04/2023]

<sup>10</sup>Rush Doshi, Judith G. Kelley, and Beth A. Simmons. "*The Power of Ranking: The Ease of Doing Business Indicator and Global Regulatory Behavior*" . International Organization, Vol. 73, no. 3. ( Summer 2019), pp. 613-643. Cambridge University Press. Matter. 613-615.

<sup>11</sup> *Ibid* . Matter. 620-625.

policy makers in countries that need investment to develop their country's economy. However, on September 16 2021 the publication of the EoDB index was officially stopped.<sup>12</sup>

Even though the EoDB index has stopped being published, the government's enthusiasm for making business easier in Indonesia continues to this day. This is proven by the issuance of various policy packages to encourage ease of doing business in Indonesia, as well as restoring the Indonesian economy after the Covid-19 pandemic and also minimizing the impact of the threat of the global economic crisis in 2023. One of them is by providing convenience in the form of simplifying the use of foreign workers in Indonesia. .

### **Use of Foreign Workers in Indonesia**

Indonesia's opening to the world economy has implications for many things, one of which is related to the use of foreign workers. Foreign workers can be defined as any person who is not an Indonesian citizen who is able to carry out work, both inside and outside the employment relationship, to produce goods or services to meet certain needs. The history of the use of foreign workers in Indonesia began in 1958 along with the entry of various foreign capital to carry out business activities in Indonesia. Initially, foreign workers were presented as professional foreign workers to assist in the national development process, this can be seen where professional foreign workers were used in the Jatiluhur dam construction project in Purwakarta (1950), and the Tuban airport renovation project in Bali (1960).<sup>13</sup>

In general, the use of foreign workers in Indonesia has the aim of fulfilling the need for workers who have certain abilities that cannot be done

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<sup>12</sup>Pritta Andani Widyanarko, Reviewing the Ease of Doing Business After the EoDB Report Was Discontinued, Article. 6 October 2021 < <https://mediaindonesia.com/opini/437813/meninjau-keease-berusaha-cepat-report-eodb-dihentikan> > [accessed on 27/04/2023].

<sup>13</sup>Rahadian, op. cit. 2018.

by local workers. Apart from that, the <sup>14</sup>use of foreign workers also has another aim, namely to be able to increase the human resources of local workers by how to transfer technology or *transfer knowledge* . <sup>15</sup>Therefore, in Article 4 of Permenaker 8/2021, it is emphasized that every company that uses foreign workers is obliged to appoint a companion for foreign workers in order for foreign workers to transfer technology or *transfer knowledge* . However, this provision can be waived under certain conditions.

As a country that is still classified as developing, the use of foreign workers in Indonesia can have both positive and negative impacts. The positive impacts provided by providing ease of use of foreign workers include, namely, foreign investors will be encouraged to invest in Indonesia, apart from that by providing ease of use of foreign workers, it is hoped that foreign workers can help local workers by transferring technology or *knowledge transfer* . However, several senior economists expressed the view that the ease of using foreign workers in Indonesia has more of a negative impact than a positive impact, <sup>16</sup>especially now that foreign workers entering Indonesia are foreign workers whose abilities and qualifications are not much different from those of local workforce. Even though in some sectors what economists say is true, this is something that cannot be avoided in the era of globalization of the workforce.<sup>17</sup>

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<sup>14</sup>Luh Intan, I Nyoman Wita. "Implementation of Time Limits for Foreign Workers to Work at PT. Harum Indah Sari Tour & Travel in Denpasar Reviewed by Law Number 13 of 2003". Business Law Specialization Program, Faculty of Law, Udayana University.

<sup>15</sup>Fara Marisda Martias. "The Impact of the Foreign Worker Policy in the Joko Widodo Government Era (2014-2019) on Local Workers in Indonesia" POLGOV Journal Vol. 3 No. 1, 2022.

<sup>16</sup> *Ibid* .

<sup>17</sup>Dev Nathan, " *Globalization Of Labor* ". Economic and Political Weekly, Vol. 42, no. 39, Sept. 29 – Oct 2007. pp 3995 – 4001. JSTOR. pg 3995.

## Requirements for the Use of Foreign Workers in Indonesia

Basically, every company established in Indonesia is required to prioritize the use of local workers. However, in the event that a company wants to use foreign workers because local workers cannot meet the qualifications for the position, the company is permitted to employ foreign workers. When employing foreign workers, companies are obliged to pay attention to the provisions regarding the qualifications of foreign workers who can be employed in accordance with the Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers ("**Permenaker 8/2021**") , where every foreign worker is required to have education that is in accordance with the qualifications for the position to be held in the company, apart from that, foreign workers are also required to have competency or work experience that is appropriate to the position, at least 5 (five) years of work experience. The final requirement is that it is mandatory to appoint local workers as companions for foreign workers, and foreign workers are obliged to *transfer knowledge* to the foreign worker companions. Apart from that, foreign workers must be employed in a work relationship for a certain position with the foreign worker's employer, have a certain period of time as a foreign worker, and also have the competence of the foreign worker in accordance with the position to be occupied by the foreign worker.

In the previous regulation, namely the Minister of Manpower Regulation Number 10 of 2018 concerning Procedures for the Use of Foreign Workers ( "**Permenaker 10/2018**" ), there are other provisions which in Permenaker 8/2021 have been amended, namely the provisions regarding Foreign Workers who must have a Taxpayer Identification Number. ("NPWP") and Limited Stay Permit Visa ("VITAS") for work, as well as having a Limited Stay Permit ("ITAS").<sup>18</sup> The changes to these

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<sup>18</sup>Article 5 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers.



provisions are intended to create convenience for companies that will use foreign workers for certain positions.

Furthermore, companies that will use foreign workers ("**TKA Employers**") need to pay attention to the provisions regarding the positions to be occupied by foreign workers. This is because there are provisions where foreign workers are not allowed to occupy certain positions in a company. This position is a position related to personnel matters. The personnel department is a section that works in matters related to human resource management in a company.<sup>19</sup>Currently, more detailed prohibitions regarding positions that are prohibited from using foreign workers are regulated in the Decree of the Ministry of Manpower Number 349 of 2019 concerning Certain Positions that are prohibited from being occupied by foreign workers. Apart from that, foreign workers are also not allowed to hold concurrent positions in companies or other companies. However, there are exceptions where foreign workers are allowed to hold concurrent positions in other companies if the foreign workers hold the position of director or commissioner, or foreign workers who work in the vocational education and training sector, the digital economy sector, and the oil and gas sector for contractors with work contracts. The same.<sup>20</sup>

In Permenaker 8/2021 there are several new provisions as adjustments to other regulations which aim to facilitate business activities in Indonesia. These provisions include easing requirements for temporary foreign workers and foreign workers working in special economic zones, where foreign workers can be given a working period in special economic zones of up to 5 (five) years.

If the requirements in the previous paragraph have been fulfilled, then there is an obligation for Employers of Foreign Workers to prepare a

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<sup>19</sup>Febby Saraswati, These are the Duties and Functions of Personnel in Companies, Article. 25 November 2021. < <https://mediaindonesia.com/humaniora/449306/ini-tas-dan-fungsi-personalia-di-usaha> >, [Accessed on 01/05/2021].

<sup>20</sup>Article 5 paragraph (1) Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers.

Plan for the Use of Foreign Workers ("RPTKA"), which must then be submitted to the authorities in the manpower sector for approval. In addition, employers of certain foreign workers are required to pay a compensation fund for the use of foreign workers ("DKPTKA") in the amount of \$100 (one hundred US dollars) per position per person per month.<sup>21</sup>The procedure for requesting RPTKA approval will be discussed in the next section.

### **Application and Ratification of Plans to Use Foreign Workers in Indonesia**

The policy taken by the government to facilitate the use of foreign workers in Indonesia is to eliminate the obligation for employers of foreign workers to obtain permits to employ foreign workers ("IMTA") , so that employers of foreign workers only need to obtain RPTKA approval from authorized officials. in the field of employment. Exceptions to the obligation to obtain RPTKA approval can be applied to:<sup>22</sup>

- a. Directors or Commissioners with certain share ownership or shareholders in accordance with statutory provisions;
- b. Diplomatic and consular employees at foreign country representative offices; or
- c. Foreign workers required by the Employer for types of production activities that are stopped due to emergencies, vocations, technology-based start-up companies, business visits, and research for a certain period of time.

Employers of foreign workers, as parties who will use foreign workers, must first submit a request for approval of the RPTKA to the authorized official in the field of employment via *TKA Online* . The stages for requesting RPTKA approval include:

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<sup>21</sup>Article 35 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers.

<sup>22</sup>Article 30 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers.

- a. Register to create a TKA *Online account* ;
- b. Complete the data and/or documents required for RPTKA Approval;
- c. Assessment of the feasibility of the RPTKA Approval application;
- d. Fill in the data for prospective foreign workers and upload the required documents for prospective foreign workers;
- e. Issuance of DKPTKA payment notification letter;
- f. Payment of Compensation Funds for the Use of Foreign Workers by the applicant;
- g. Issuance of RPTKA Ratification;

Apart from the stages above, in Permenaker 8/2021 there are several special provisions regarding applications for Temporary Foreign Workers, Foreign Workers who work for more than 6 months or work in Special Economic Zones, and/or Foreign Workers for Non-Use of Compensation Funds. Foreign Workers (“**Non - DKPTKA**”). Based on Article 8 of Permenaker 8/2021, Temporary foreign workers are provided for several activities such as commercial film making, audits, production quality control, or inspections at company branches in Indonesia for a period of more than 1 (one) month, related work with the installation of machines, electricals, after-sales services, or products within the business assessment period, imperiat service businesses, or work that is completed once or work that is less than 6 (six) months.

<b>Type of RPTKA</b>	<b>Time period</b>	<b>Extension</b>
Approval of RPTKA for work is temporary.	Maximum 6 months	Cannot be extended
Approval of RPTKA for work more than 6 months.	Maximum 2 years	Can be extended

Ratification of non-DKPTKA RPTKA.	Maximum 2 years	Can be extended
Ratification of RPTKA Special Economic Zone	Maximum 5 years	Can be extended

### **Rights and Obligations of Foreign Workers in Indonesia**

Foreign workers who have completed administrative procedures to be able to work in Indonesia have the same rights as workers in Indonesia which are regulated in employment regulations. Apart from that, there are also obligations for foreign workers who work in Indonesia, such as transferring technology or *transferring knowledge* to foreign worker companions. Apart from that, in the case of using foreigners as workers, there are several obligations that must be fulfilled by employers of foreign workers, including:

- a. Appoint local workers as companions for foreign workers;
- b. Carrying out education and job training for foreign workers in accordance with the position they hold;
- c. Registering foreign workers in social security programs or company insurance programs;<sup>23</sup>
- d. Pay DKPRPTKA;
- e. Repatriating foreign workers, if the work period has ended.

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<sup>23</sup>Social Security Program for foreign workers who work for a period of more than 6 months. For foreign workers who work for a period of less than 6 months, they are required to be registered with the Company Insurance Program which at least guarantees protection against the risk of work accidents.

## Penalty

In terms of the normative provisions currently in force, namely in Minister of Manpower Regulation 8/2021, provisions regarding sanctions are regulated if companies that use foreign workers violate norms related to the provisions on the use of foreign workers in Indonesia. The sanctions imposed for violations of the norms for the use of foreign workers in Permenaker 8/2021 are administrative sanctions. Violations of norms regarding the provisions for the use of foreign workers are regulated in detail in Article 49 of Permenaker 8/2021.

Based on Permenaker 8/2021, the administrative sanctions that will be given are in the form of fines, temporary suspension of the RPTKA Approval application process, and/or revocation of RPTKA Approval. Fines will be imposed if the employer of foreign workers does not have RPTKA approval. The fines imposed range from Rp. 6,000,000 (six million rupiah) up to Rp. 36,000,000 (thirty-six million rupiah), and is calculated per position, per person and per month.<sup>24</sup> Payment of the fine sanctions is paid by the Employer of foreign workers no later than 2 (two) weeks after the Employer of foreign workers receives an announcement or letter that a fine has been imposed by the competent authority in the field of employment, if the payment of the fine exceeds the specified time limit then A late fine of 2% (two percent) per month of the amount of the fine imposed will be imposed.<sup>25</sup>

Another administrative sanction is the sanction of temporary suspension of the RPTKA Approval application process. This sanction is enforced for a maximum period of 3 (three) months. This sanction is imposed on Employers of foreign workers who do not do the following:<sup>26</sup>

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<sup>24</sup>Article 50 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers.

<sup>25</sup>Article 52 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers

<sup>26</sup>Article 54 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers

- a. provide Indonesian language education and training facilities to foreign workers;
- b. register foreign workers into social security programs or insurance programs;
- c. make reports regarding the use of foreign workers, Indonesian language education and training, and the implementation of technology transfer to local workers;
- d. reporting foreign worker employment agreements that have or will end; and/or
- e. pay fines on time.

The final administrative sanction is in the form of the sanction of revoking the RPTKA Ratification. This sanction will be imposed on employers of foreign workers who violate the provisions, including:<sup>27</sup>

- a. employing foreign workers but not in accordance with the RPTKA Approval;
- b. foreign workers hold concurrent positions in the same 1 (one) company;
- c. foreign workers occupy positions in the personnel sector;
- d. not paying DKPTKA; and/or
- e. does not carry out the obligations given in the sanction letter for temporary suspension of the RPTKA Approval application process.

### **Simplification of provisions for the use of foreign workers as part of the development process**

By providing convenience for parties who want to use foreign workers, it is hoped that this can create better changes in society, such as attracting investors, transferring *knowledge* to local workers, or creating more competitive competition for local workers. If viewed using Mochtar Kusumaatmadja's theory of development law, law can maintain something that has been achieved, or law can also be used as a tool to help the process

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<sup>27</sup>Article 56 Minister of Manpower Regulation Number 8 of 2021 concerning the Use of Foreign Workers

of change in society. <sup>28</sup>Law always plays a role in the process of community development or the process of change in society, this is in accordance with the theory put forward by Roscoe Pound which states that *Law as a tool of social engineering*, where law can be used as a tool for social renewal, so that it can guide social and cultural change. certain <sup>29</sup>(*social*) *society*. <sup>30</sup>In this context, with changes in regulations related to simplifying procedures related to the use of foreign workers, it is hoped that national economic goals can be achieved, by having a positive impact on the investment climate and improving the quality of local workers.

On the other hand, it is necessary to pay attention that changes in legal provisions which aim to change society in a better direction, which in this case is to improve the national economy, will also have an impact on social and cultural aspects in society. A development process that has good objectives which in reality can have an effect on social welfare in society. <sup>31</sup>Therefore, in the legal theory of development, Mochtar Kusumaatmadja provides that in terms of using law as a tool to change society in a better direction, it is necessary to pay attention to various aspects starting from economic aspects and also social aspects, as well as cultural aspects in society. <sup>32</sup>Apart from that, the level of legal awareness is also important and needs to be paid attention to, considering that in reality what happened during the Soeharto era when the Development Theory was echoed, what happened was that the law changed its function into a tool for securing development <sup>33</sup>which resulted in many repressive actions by law enforcers. who hide behind statutory regulations.

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<sup>28</sup>Nor Fadillah, "Review of Mochtar Kusumaatma's Legal Theory of Development in the National Capital Law (IKN)". *Supremacy of Law: Journal of Legal Studies*. Vol. 11, no. 1, 2022. pp. 45-65

<sup>29</sup>Nazaruddin Lathif, "Legal Theory as a Suggestion/Tool for Reforming or Engineering Society". *Pakuan Law Review* Vol. 3, no. 1, January/June 2017. pp 73-94. pg 73.

<sup>30</sup>Sai Abhipsa Gochhayat, "*Social Engineering By Roscoe Pound: Issues in Legal and Political Philosophy*". NLS – NUJS, 15 November 2010. p. 3.

<sup>31</sup>Nor Fadillah, "Review of Mochtar Kusumaatmadja's Legal Theory of Development in the National Capital Law (IKN)". *Supremacy of Law: Journal of Legal Studies*. Vol. 11, no. 1, 2022. Pp 45-65.

<sup>32</sup> *Ibid* .

<sup>33</sup>Nazaruddin Lathif, *op.cit* . pg 79.

The pressure of globalization of labor is unavoidable, because it is influenced and related to the mobility of capital (investment) and also the openness of a country's economy to other countries or the integration of a country's economy with the world economy. <sup>34</sup>Changes in regulations related to the use of foreign workers must be interpreted as a series of community development processes in a better direction. By simplifying the procedures for using foreign workers, this can be seen as a form of integration into the world economy. Considering that Indonesia is a country that is open to the global economy, integration of the domestic economy with the global economy cannot be avoided. Apart from that, Indonesia is still classified as a developing country that still needs investment from other countries. <sup>35</sup>This is expected to have a positive impact in the form of improving the quality of community welfare, which in this case is expected to improve the quality of the local workforce in Indonesia. Based on *The Upward Convergence Theory*, by integrating a developing country into the world economy, this will encourage the improvement of labor quality standards so that they move towards converging with the labor quality standards of developed countries.<sup>36</sup> <sup>37</sup> Apart from that, developing countries that are integrated with the world economy will be able to adopt the technology and management practices applied in developed countries, this is done through transnational companies that invest in these developing countries. This is in line with what was expressed by Carlota Perez who stated that " *The best promise of mass market expansion would seem to be in the incorporation of more and more countries into global growth, investment, production and consumption. Growth in the larger countries*

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<sup>34</sup>Dev Nathan, op. cit. pg 3995.

<sup>35</sup>Prakash Loungani and Assaf Razin, "How Beneficial Is Foreign Investment For Developing Countries?", Article. June 2001.<  
<https://www.imf.org/external/pubs/ft/fandd/2001/06/loungani.htm>> [accessed 01/05/2023]

<sup>36</sup>William J. Baumol. " *Productivity Growth, Convergence, and Welfare: What the Long-Run Data Show* ". The American Economic Review, Vol. 76, no. 5. December, 1996.

<sup>37</sup>Robert J. Barro, Xavier Sala-i-Martin. " *Convergence* ". Journal of Political Economy 100 (2): 223-251. 1992.



*of the developing world, could serve as a first tier to pull the others forward. It is quite obvious that these potentially huge markets are a very long way from stagnation”.*<sup>38</sup>

## **Conclusion**

Regulations regarding the use of foreign workers in Indonesia have undergone several changes. At this time, simplifying the provisions for the use of foreign workers must be interpreted as a series of development processes in a better direction. This aims to attract foreign investors to invest in Indonesia. On the other hand, by making it easier to use foreign workers, this can provide positive things such as *knowledge transfer* or technology transfer, so that the quality of local workers in Indonesia can increase and be more competitive.

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<sup>38</sup>Dev Nathan, op. cit. pg 3996.

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