



Legal Aspects of Economics in the Implementation of Professional Worker Remuneration in the Digital Age

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Abstract. Social welfare development is a manifestation of efforts to achieve the nation's goals mandated in the 1945 Constitution of the Republic of Indonesia. The fifth principle of Pancasila states that social justice for all Indonesian people, and the Preamble of the 1945 Constitution of the Republic of Indonesia mandates the state to protect the entire Indonesian nation and the entire Indonesian homeland, promote public welfare, educate the nation's life, and participate in implementing world order based on independence, eternal peace, and social justice. Social welfare issues related to employment that are developing today show that some employees have not fulfilled their rights properly because they have not received remuneration due to the increasing working hours. As a result, there are still employees who experience obstacles to the implementation of functions at work, which have an impact on employee performance. To ensure that the rights of employees are fulfilled, as well as to face the challenges and developments in social welfare, the hour-based and lump sum remuneration systems need to be reviewed for implementation with a balance of the total time spent working.

Keywords: *Remuneration, Social Welfare, Justice, Professional Workers, Digital Age.*

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1. Introduction

Guided by Article 28D paragraph (2) of the 1945 Constitution of the Republic of Indonesia and Article 28E paragraph (1) of the 1945 Constitution of the Republic of Indonesia, in essence, everyone has the right to choose a job and work and receive fair and appropriate compensation and treatment in labor relations. To realize a better life for citizens, the government must create public welfare as mandated in the preamble of the 1945 Constitution of the Republic of Indonesia. In the current era of globalization, all levels of the international community cannot avoid the era of the Industrial Revolution 4.0. As a member of the international community, Indonesia is obliged to continue to contribute to the achievement of good governance.

Every organization in the modern era practices the latest techniques based on the digital technology revolution, in various work activities. The digital technology revolution in the era of the Industrial Revolution 4.0 has created a variety of the latest applications that provide support for digital technology-based human resources, one of which is Zoom media.

To meet the demands of the Industrial Revolution 4.0, human resources are required to be competent and must be able to use technological sophistication based on the speed of technological development. This will allow them to be more innovative and easier to get the job done. Based on the current needs of the industrial world, the demands of the 4.0 Revolution require human resources to have skills and expertise.

Management work in an organization faces several challenges that are more complex than in previous times, along with greater demands that require human resources to work more innovatively and competently. These challenges include the remuneration readiness of employees working in the era of Industrial Revolution 4.0.

Along with the demands for good corporate governance and reform of public sector management, at the level of implementation, the changes and reforms that are implemented to realize clean and authoritative governance are unlikely to be carried out properly (effectively) without proper welfare for employees. Where at this time someone works with no time and place so they often have Zoom Meetings outside conventional working hours. So the hour-based remuneration system and lump sum need to be reviewed for implementation with a balance of the total time used to work.

Therefore, this research aims to define and assess the current remuneration system in terms of justice and how alternative solutions can be offered in structuring aspects of law and legislation.

2. Literature Review

Remuneration comes from the English *remuneration* [1]. According to Black's Law Dictionary, remuneration is "a quid pro quo. If a man gives his services, whatever consideration he gets for giving his services seems 'to me a remuneration for them. Consequently, I think, if a person received a payment, or in the receipt of a percentage, or any kind of payment that would not be an actual monetary payment, the amount he would receive annually in respect of this would be "remuneration" [2].

Furthermore, Deluca [3], explained that remuneration is the total payment, directly or indirectly received by workers instead of services that have been provided by workers consisting of five elements, basic salary, short-term incentives, long-term incentives, allowances, and additional income.

There have been many studies on this *remuneration*, which is better known as the pay-for-performance system. Mark A. Stiffler once conducted a study on Incentive Compensation Management: Making Pay-for-Performance a Reality” [4]. It states that, “The lure of a pay-for-performance system is one, the people who have the greatest impact on the success of the organization receive the greatest share of the rewards: merit increases, bonuses, promotions, and recognition. Likewise, the opportunity for greater rewards motivates employees to improve their performance and strive for greater achievements.”

Conversely, low compensation will affect employee performance, which is also low. Kithinji Kiragu and Rwekaza Mukandala conducted research in 2003 with the theme "Public Service Pay Reform Tactics Sequencing and Politics in Developing Countries: Lessons from Sub-Saharan Africa (Draft Report)." This research was conducted in Africa with the conclusion that in some areas of the country on this continent, there is a close relationship between salary and performance of bureaucratic employees [5].

The pay-for-performance system has been widely used in developing countries and has even become a global phenomenon. This performance-based system is considered to have a positive impact on efforts to reform the bureaucracy and improve public services. This system is not only used by public organizations but has also begun to develop in private organizations or companies.

In essence, the pay-for-performance system is an instrument for people who have a good influence on the success of the organization and thus need to be highly compensated, which includes income increases, bonuses, promotions, and other rewards. Likewise, the opportunity to be highly compensated will motivate employees to improve their performance and achieve even greater accomplishments.

According to Abraham Maslow, the concept and policy of remuneration is the fulfillment of physiological needs. Furthermore, Abraham Maslow describes it in the form of five basic needs, as follows [6]:

1. Physiological needs, namely needs in the form of clothing, food, shelter, and biological needs;
2. Security and safety needs, namely freedom from colonization, freedom from threats, freedom from pain, freedom from terror, and so on;
3. Social needs, namely the need to socialize, make friends, have a family, the need for love with the opposite sex, and so on;
4. Appreciation needs, namely getting praise, certificates, honors, prizes, and so on;
5. The need for self-actualization, which is the need and desire to act as one pleases by one's talents and interests.

3. Research Method

The method used in this research is normative juridical by using several problem-based approaches, which include statute approach, analytical approach, and conceptual approach. The research specifications used are prescriptive through focusing on research in legal principles, legal synchronization, and legal systematics. The materials used are primary and secondary legal materials. The results of the research were analyzed qualitatively using a grammatical and systematic interpretation model to provide a comprehensive, all-inclusive, and systematic understanding.

4. Results and Discussion

4.1 Current Remuneration System in terms of Fairness Aspects

The implementation of remuneration is one of the government's efforts to lead to good governance. The National Development Planning Agency (Bappenas) in 2004 produced a report on the study of the remuneration system [7].

The results of this report show the relationship between perceptions of employee remuneration, work motivation, and work discipline on employee performance, with the following explanation:

1. Linkage of remuneration to quality, consisting of the following:
 - a. Remuneration can motivate employees to achieve the best possible quality of performance;
 - b. Remuneration can be a motivator for employees to make continuous improvements;
 - c. Remuneration can be a reference to improve individual abilities.
2. Customer and stakeholder satisfaction, which is caused by the following:
 - a. The remuneration system provides information to work unit leaders needed to direct subordinates in achieving their desired goals;
 - b. Remuneration can encourage better cooperation.



Hypothesis: Remuneration affects employee performance.

Digitalization, and in particular digital networks, transcends geographical boundaries, leading to complications. Globalization has not been created by digitalization, but digitalization has reinforced the global dimension. Under the methodology of digitalization, globalization implies a stronger focus on global norms in national legislation as well as the application of national law. Two interrelated trends are relevant in the transition to the digital age. The first trend is the harmonization of remuneration systems as an ongoing effort to provide fairness. The second trend is the effectiveness of the remuneration system in addressing the balance of total time spent working.

Remuneration is one of the factors that can affect employee performance. Thus, any increase in remuneration will also increase employee performance. However, in the digital era, the development of working procedures/systems has also changed, and technological developments affect future work.

Technological developments are also affecting work paradigms and flexibility. Remote working, flexible timings, and the use of digital collaboration tools are increasingly common. Employees can work from anywhere and at any time with the help of technology that enables effective team collaboration. This allows for more flexibility in lifestyle and integration between work and personal life.

Digitization creates new legal issues concerning remuneration that have not yet been regulated in the world of labor. Where currently the calculation of the remuneration system is still based on hours and lump sum, this is no longer relevant to the total time used to work both offline and online, for example, through Zoom Media.

As an example of the application of the effectiveness of the remuneration system, the author takes the example of the current remuneration system for Civil Servants. Professionalism is a character trait required by Civil Servants so that they can provide good quality public services.

President Soesilo Bambang Yudhoyono, the 6th President of the Republic of Indonesia, issued a Presidential Regulation of the Republic of Indonesia on the Remuneration of Civil Servants on 17 September 2014. There were two types of Presidential Regulations signed by President Soesilo Bambang Yudhoyono before his term ended on 20 October 2014. First, the Presidential Regulation of the Republic of Indonesia on the provision of performance allowances for new ministries/institutions is given as an instrument to improve employee performance for the implementation of bureaucratic reforms in the agency. There were nine ministries/institutions that received performance allowances that were paid starting in July 2014 [8]:

1. Presidential Regulation Republic of Indonesia No. 107 of 2014 on Employee Performance Allowance within the Ministry of State-Owned Enterprises;
2. Presidential Regulation Republic of Indonesia No. 108 of 2014 on Employee Performance Allowance within the Ministry of Religious Affairs;
3. Presidential Regulation Republic of Indonesia No. 109 of 2014 on Employee Performance Allowance within the Ministry of Cooperatives and Small and Medium Enterprises;
4. Presidential Regulation Republic of Indonesia No. 110 of 2014 on Employee Performance Allowance within the Ministry of Youth and Sports;
5. Presidential Regulation Republic of Indonesia No. 111 of 2014 on Employee Performance Allowance within the Geospatial Information Agency;
6. Presidential Regulation Republic of Indonesia No. 112 of 2014 on Employee Performance Allowance within the National Disaster Management Agency;
7. Presidential Regulation Republic of Indonesia No. 113 of 2014 on Employee Performance Allowance within the National Land Agency of the Republic of Indonesia;
8. Presidential Regulation Republic of Indonesia No. 114 of 2014 on Employee Performance Allowance within the Secretariat General of the National Human Rights Commission;
9. Presidential Regulation Republic of Indonesia No. 115 of 2014 on Employee Performance Allowance within the Secretariat General of the Judicial Commission.

Second, the Presidential Regulation of the Republic of Indonesia on the increase in performance allowances is given to ministries/institutions based on the main consideration that there is an increase in the performance of employees in implementing bureaucratic reforms. Ministries/Institutions approved to receive an increase in performance allowance also starting from July 2014 are as follows [9]:

1. State Secretariat and Cabinet Secretariat - Presidential Regulation Republic of Indonesia No. 101 of 2014;
2. Coordinating Ministry for Economic Affairs - Presidential Regulation Republic of Indonesia No. 102 of 2014;
3. Ministry of National Development Planning/National Development Planning Agency - Presidential Regulation Republic of Indonesia No. 103 of 2014;
4. Ministry of Administrative Reform and Bureaucracy - Presidential Regulation Republic of Indonesia No. 104 of 2014;
5. Ministry of Law and Human Rights - Presidential Regulation Republic of Indonesia No. 105 Year 2014;
6. Financial and Development Supervisory Agency - Presidential Regulation Republic of Indonesia No. 106 of 2014.

Remuneration as an effort to improve the professionalism of the bureaucratic apparatus in Indonesia was initiated by the Minister of Finance of the United Indonesia Cabinet (KIB) volume one, Sri Mulyani Indrawati. The idea was driven by an intention to improve the bureaucratic apparatus in the Ministry of Finance, which is known to have a less-than-favorable reputation. The Ministry of Finance, which oversees various strategic institutions in public services, such as the Tax Office and the Customs and Excise Office, has been known as a den of corruptors [10].

The logical solution from the study was the need to implement a new remuneration system so that bureaucratic reform policies could be implemented in the Ministry to make Ministry of Finance employees work more professionally in providing public services so that they no longer commit corrupt practices. The idea to review the remuneration system rolled out by the Ministry of Finance was then discussed through a forum called the Remuneration Evaluation Team which involved several other Ministries and State Institutions, namely the Ministry of Finance, Ministry of Administrative Reform and Bureaucratic Reform, Civil Service Agency, Ministry of Law and Human Rights, State Secretariat, Cabinet Secretariat, Ministry of Home Affairs, and State Administration Agency. This team determined that the remuneration system needed to be improved and the Ministry of Finance was used as a pilot project to test whether the system was successful or not before other Ministries and Institutions that were members of the Remuneration Evaluation Team implemented the same system [11].

Thus, there are other factors beyond material factors that the government needs to consider in encouraging civil servants to behave professionally. Employees in public or not-for-profit organizations are different from employees in companies. They need to be able to demonstrate that the compensation system needs to be organized effectively and treat people fairly. Failure to uphold competitive salaries in law and policy on behalf of political interests will make it difficult to strengthen trust in the democratization process or to ensure increased work productivity of employees [12].

In encouraging civil servants to work professionally. Remuneration policies that are based on the fulfillment of material needs have not been significantly positively correlated with changes in the professionalism of civil servants.

The determination of the amount of remuneration is usually influenced by several challenges faced by the organization. The implication of this dependency eventually forces the personnel department to make further adjustments to the remuneration policy.

According to T. Tani Handoko, there are seven challenges facing organizations [13]:

1. Labour supply and demand
Some types of work must be paid higher than others because of demand, such as market conditions.
2. Employee unions
Employee unions sometimes have the power or influence to determine compensation levels. This is often the case in industrial areas, such as in Bekasi, Karawang, and Tangerang.
3. Productivity
Organizations/companies cannot pay employees more than the productivity they provide. This means that they will be paid more if their productivity and performance are high.
4. Willingness to pay

Organizations/companies want to pay on a fair and reasonable basis.

5. Ability to pay
Compensation is highly dependent on the ability of the organization/company to pay. Revenues and profits will determine their level of ability to compensate.
6. Various wage and salary policies
7. Government constraints
Government policies affect the setting of compensation.

Based on the results of the above analysis, the current remuneration can be tested with Remuneration Justice, which includes three elements. The first of these is external justice. This type of fairness is defined as wage/salary rates being in alignment with prevailing salaries for similar employees in the external labor market. This external fairness is achieved by comparing similar employee roles among comparable organizations. The second of these elements is internal equity. This means a pay level that is commensurate with the value of the internal employee to the organization. Thus, internal justice is a function of the relative status of a staffing system within an organization: the economic value of the results achieved by employees or their social status, which comprises power, influence, and status in the organizational hierarchy. The third of these elements is individual justice. This justice reflects the sense that individuals feel that they are treated fairly compared to their co-workers. In this type of justice, there is a comparison of one's input and outcome with the input and outcome of others [14].

4.2 Alternative Solutions in Remuneration Arrangement from Legal and Regulatory Aspects

On 20 November 2020, the government passed Law Number 11 of 2020 on Job Creation. Law Number 11 of 2020 on Job Creation uses the Omnibus Law method in its formation process, namely forming one law to simplify and deregulate related laws and regulations [15].

The provisions of Article 185 of Law Number 11 of 2020 on Job Creation, which mandates the stipulation of implementing regulations no later than three months after Law Number 11 of 2020 on Job Creation, came into force on November 2, 2020. As for the Employment cluster, there are four Government Regulations that apply, namely as follows:

1. Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers;
2. Government Regulation Number 35 of 2021 concerning Fixed-term Employment Agreements, Outsourcing, Working Time and Rest Time, and Layoffs;
3. Government Regulation Number 36 of 2021 concerning Wages;
4. Government Regulation Number 37 of 2021 on the Implementation of the Job Loss Guarantee Program.

Furthermore, there are also three Ministerial Regulations derived from the Government Regulation related to Job Creation as follows:

1. Minister of Manpower Regulation Number 6 of 2021 concerning Business Licensing;
2. Minister of Manpower Regulation Number 7 of 2021 concerning Recomposition of Job Loss Insurance Contributions;
3. Minister of Manpower Regulation Number 8 of 2021 concerning Procedures for the Use of Foreign Workers.

There are, additionally, many other related laws and regulations. So an alternative solution that can be offered in structuring remuneration from the legal and regulatory aspects is to use the Omnibus Law method. There will be many adjustments to laws and regulations relating to employment and civil servants and private employees, therefore the Omnibus Law method can be the right step to simplify the laws and regulations.

The development of the Omnibus Law concept began in countries with Anglo-Saxon legal systems such as the United Kingdom, the United States, and Canada. The Omnibus Law concept offers improvements to regulations that are over-regulated and overlapping [16].

The benefits of the Omnibus Law method, among others, are that it can shorten the process of forming laws and regulations, accelerate the process of resolving regulations that are considered irrelevant or problematic, prevent deadlock in the discussion of bills in the House of Representatives, save the cost of the process of forming laws and regulations, and harmonization of laws and regulations will be maintained through the Omnibus Law.

Therefore, legitimacy is needed in the use of the Omnibus Law method in the preparation of legislation related to the remuneration of employees and/or employees by thoroughly revising the application of remuneration. In the application of remuneration, in addition to the government wanting to lead to Good Governance, no

less important is bureaucratic reform itself. Good governance will only work if the bureaucracy has been first reformed.

To overcome the problem of public services, as a form of bureaucratic function, it is urgent to reform government-owned organizations (public bureaucracy). The government has prepared eight laws to oversee the implementation of bureaucratic reform, namely:

1. Law on Ministries and State Ministries;
2. Law on Public Service;
3. Law on Government Administration;
4. Law on Ethics of State Administrators;
5. Law on Civil Service;
6. Law on Public/Profit Service Agency;
7. Law on National Supervision;
8. Law on Central and Local Government Relations.

These laws and regulations were later combined in the framework of bureaucratic reform into Law No. 39 of 2008 on Ministries and State Ministries. The government has also issued a grand design for bureaucratic reform in the form of Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation Number 15 of 2008 on General Guidelines for Bureaucratic Reform, which is a blueprint for reform until 2015.

Public service reform is expected to bring positive values and the idea of Good Governance into reality. For this reason, according to Levine (1990), as quoted by Bambang Sancoko, public service products in democratic countries require three important indicators, namely responsiveness, responsibility, and accountability. [17]

5. Conclusions and Suggestions

5.1 Conclusions

5.1.1 Currently, the remuneration system is still based on conventional remuneration. Along with its development, the determination of the amount of remuneration is usually influenced by several challenges faced by the organization. The implications of this dependence ultimately force the personnel/staffing department to make further adjustments to the remuneration policy.

5.1.2 As there are many laws and regulations related to remuneration policies, employment, civil servants, and private employees, alternative solutions that can be offered in structuring remuneration from the legal and legislative aspects are to use the Omnibus Law method, which is the best way to simplify. Legitimacy is needed in the use of the Omnibus Law method in the preparation of legislation related to the remuneration of employees and/or employees by thoroughly revising the application of remuneration. In the application of remuneration, in addition to the government wanting to lead to Good Governance, it is urgent to reform the government-owned organization (public bureaucracy) itself.

5.2 Suggestions

5.2.1 A modern remuneration system is needed that follows the development of working procedures/systems that can affect future work, work paradigms and flexibility, remote work, flexible timing, and the use of digital collaboration tools. A modern remuneration system considers the

- ergonomics and psychological aspects of employees along with the increase in working time outside conventional working hours.
- 5.2.2 Continuous bureaucratic reform is needed to realize Good Governance for the implementation of remuneration with a modern system.
- 5.2.3 The use of the Omnibus Law method regarding remuneration policies, employment, civil servants, and private employees needs to involve experts and quality research.

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