

# **IMPACT OF REGIONAL OWNED ENTERPRISES TO ECONOMIC DEVELOPMENT - EMPIRICAL STUDY ON 2015 IN SOUTH SUMATERA PROVINCE**

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## **ABSTRACT**

*One of law-making's purpose is to give a good impact at all aspects on human life like economy aspect, social aspect until cultural aspect. One of law in Indonesia is labor and economic law. Labor's prosperity is related to economic rate in one country. Indonesia is adhere to regional autonomy and make a large portion to province or city on development issues. The Local Government has authority to make a business entity to increase the regional economic rate. Example from this business entity is Regional-Owned Enterprises or in Indonesian known as Badan Usaha Milik Daerah (BUMD). In fact, BUMD can become a tools to reduce unemployment rate but recruitment scheme on BUMD based on Labor Market Flexibility (LMF) is can't accommodate the unemployment from the native person in the regional. Empirical study was carried out on 2015 to research about impact of BUMD in South Sumatera Province and economic development rate on 2015. The author will presenting the main topic with data on diagram or table's type. The data has been validated by South Sumatera Government on Januari 2019 by Governor of South Sumatera Province.*

**Key words:** Economic Development, Local Government, Regional-Owned Enterprises, Positive Law.

**Cite this Article:** Dr. Zulkarnain Ibrahim, Impact of Regional Owned Enterprises to Economic Development - Empirical Study on 2015 in South Sumatera Province. *International Journal of Civil Engineering and Technology* 10(7), 2019, pp. 201-215. <http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=10&IType=7>

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## **1. INTRODUCTION**

Kotler said that these are many factors to impact the national prosperity. The factors is natural capital like land, water, wood and minerals; other factors is physical capital, human capital and social capital. The important capital on all factors is human capital include the human resources and intellectual property rights (IPR)[1].

About prosperity in one country is from of the essence of the country itself. It's like an ark to take the passengers to the harbour. The country and the government are similar to a ship with the captain and his crew so with the analogy, we can conclude that if you want know about the country, you must know about the ideology and history of it's[2].

In general about ideology, the world is divided to two biggest ideology on economic and industrial relations. It's a liberal system and the marxism. But, Indonesia isn't use both of them in it's relations. Indonesia use Pancasila as the ideology on all system about the country include the economic and industrial relations or known in Indonesian as Hubungan Industrial Pancasila (HIP).

The living values and Pancasila become the life philosophy to Indonesians because both of the biggest world ideology aren't match with the Indonesians characteristic to believe on religion and humanity principle. Soekarno with his ideas are a rejected form from Indonesian to liberalism and marxism. So, Indonesia become the founder of Non Block Movement at Cold War from 1947[3].

According to Soekarno that he said about the welfare state must make a prosperity to all citizen include the marginalized people. The prosperity must realized on politic and economic side. The labors who are the part of the citizen are must get the rights to become a monsieur too[4]. The Indonesia's purpose currently must clear and consistent in accordance with the Indonesian Constitution of 1945 to advance the prosperity in general and to educate the nation.

One tool to get the nation prosperity is making a business entity like Regional-Owned Enterprises or known as BUMD. This purpose of it's is to get provit like a company but it's not only the purpose of it's but BUMD must to reduce the unemployment on labor side and to decrease the poverty on economic development in regional and national.

But currently, BUMD's activities is similiar to capitalism company and only prioritize the provit without helping the poors and increase theirs economic and impact to economic development in regional. The economic principle based on citizen oriented like Mohammad Hatta said on his cooperative system in current BUMD system is not match with the market need now so the capitalism economic is the current system on BUMD now. So as the independence has been achieved, more ten of millions people still poor although the increase number of BUMD, in particular in South Sumatera Province. The problem makes a two question are about the purpose of BUMD to reduce the unemployment and the poverty and it's effectiveness. Other question is about the BUMD's problem to cover the natives to get a job and it's failure to increase economic development in South Sumatera Province.

## 2. DISCUSSION

Based on modernization law theory, law itself must follow the society because law is rule to regulate the society. The law is must follow the society needs but must control the society to reach the law purpose to get the society in order. Otje Salman said that the modern society has characteristic like honest, on time, efficient, future oriented, productive and not based on symbol only[5].

Gustav Radburch said that the law purpose is legal certainty, legal justice and legal expence. First about the legal certainty, BUMD must enforce their articles of association. In it's contain about the value what must enforce the BUMD management as law to company activities. Second about the legal justice, BUMD activities must give same portion to all parties in a good side. Third about the legal expence, BUMD must give a benefit to all parties in particulary to the people and their labors.

John Rawls on his book *A Theory of Justice* about the law purpose is an inspiration to the author to analyse relationship between the company and the labor in one business entity like BUMD with Figure Pay Theory[6] This theory describe about the enormity of Indonesian family, who work as farmer, fisherman, trader, civil servant, employer, worker, etc. The small figure of it's is be depicted on one company because who are work as employer and the workers. Although in different role, employer and the workers is one big Indonesian family based on work role division. So, the happiness from a company must become the happiness of both of them. The rights of the employer to get the provit must be equal to rights of the labors to get decent wage. The employer not just a figure to his labors but the figure to othersemployer. So, the labors can become family member in the company and work to company with a strong commitment and make the company become progressive. The figure pay theory considered by the local wisdom[7] like proverbs from the ancencors like "If you have burden: if the burden is heavy, we can take the burden with bear it together and if the burden is light, we can take the burden with carry on" mean the company get a loss, the labor must get the same loss too in their salary.

Management on BUMD currently prioritize the provit more and not think about the people's prioritize. BUMD must collaborate with the related government agencies to increase communication and economic development related to the people needs.

### **3. BUMD IN ACT CONCERNING LOCAL GOVERNMENT'S PESPECTIVE**

Act Concerning Local Government is Act Number 23 of 2014 that last amandment by Act Number 9 of 2015 but if we talk about BUMD, we still use the former one because on Act Number 9 of 2015 not change the BUMD's regulation. So, the BUMD's regulation still based on Act Number 23 of 2014. Based on this Act, BUMD is divide to two form namely: company form and public company form. Before this Act become the positive law in Indonesia, BUMD's regulation is arranged by Act Number 5 of 1962 Concerning Regional Company and Minister of Home Affairs Regulation Number 3 of 1998 Concerning Legal Entity Form of BUMD. The regulations are make a confuse and not clear position to BUMD. The situation make BUMD is not ready to compete and always dependence to regional expenditure budget or in Indonesian known as Anggaran Pendapatan Belanja Daerah (APBD).

BUMD is local government's business entity to make a source of regional revenue or in Indonesian known as Penerimaan Asli Daerah (PAD). In fact, until now BUMD is can't contribute to PAD significantly but more take big cost from local government and not give the provit equal the cost it's has. This is a big burden to APBD and make the purpose of BUMD is not achieved.

Current, amount of it's is 1.007 with around on assets in 343 trillion rupiahs and the productive assets are approximately is 90%. It's contributed from banking sectors and 4% from Regional Water Company or in Indonesian known as Perusahaan Daerah Air Minum (PDAM). The BUMD's problem in mindset is about using assumption "how the spend money" not "how to get money". This is evidence BUMD doesn't have a right concept and not clear management. BUMD is often get the wrong way. To solve the problem, BUMD must follow the good corporate governance (GCG)'s principles[8].

GCG principles related to Corporate Social Responsibility (CSR). Like two sides of coin, both of them are have a strong position in business and related to each other. Social Responsibility is oriented toward stakeholders and it's match with one principle of four main principle of GCG namely responsibility. So, resposibility principle reflect stakeholders driven

concepts more. According to Reksodiputro, CSR's concept is part of the rules to implement GCG's principles. The business ethics and accountability's problem get the people attention more in developed countries, which are very liberalism in one company and when the self regulation get the failure, the company makes a new regulation which contain higher standards for corporate practice and tougher penalties for executive misconduct[9].

Based on the first article of Act Number 23 of 2014 Concerning Local Government tell that BUMD is a business entity which all of the capital or half of it's from the local government. In proportion to BUMD's characteristics on The Act has the aims on the establishment of it's to give the benefit on economic development in the regional; to held the goods supply and/or the quality service in one system to consumer goods of the peoples based on the condition, characteristics and the potential which the regional has; and to get the provit. The aims are based on 331<sup>th</sup> article verses (4) of this Act.

In proportion to the aims, Kamaludin give vent to that one of the aims is to get the provit. This is mean that BUMD is an organization on the local government bodies to give income to the regional. The BUMD's attainment is measured by the proportion of the provit which has get with the value investment from the local government as investor[10]

BUMD founding is match with obligation of the local government inside to develop it's resources. To consider amount of workforce more and more grows, every potentials in regional can to explored by to set up many BUMD to increase PAD, to soak up many chance to work for the natives, to decrease the poverty rate in the regional until to prepare the professionals with trainings by Training Centers or in Indonesian known as Balai Latihan Kerja (BLK) which it's owned by Government or private sector.

In general, the government of province or city is set up BUMD by considers the match from it's to their regional characteristics. BUMD in general is settle to Regional Development Bank or in Indonesian known as Bank Pembangunan Daerah (BPD), hotel, local public transport company, regional water company or in Indonesian known as Perusahaan Daerah Air Minum (PDAM), until county marketplace company or in Indonesian known as Perusahaan Daerah Pasar (PD.Pasar). But in reality, like in South Sumatera Province, BUMD can in the form of roof tile company by means of secondary technology or labor intensive so that can accept many labors. Around in Palembang City, many soils which can become materials to make the roof tiles. If one mill can accept twenty labors to work, we can to soak up four hundred labors for twenty mills. The roof tile company has easy marketing and distribution to government project until the private needs as longs the price is competitive.

At the moment, many problems about BUMD especially to labor acceptance system by means of Labor Market Flexibility (LMF)'s methods. It's impact from liberal economic factor so that the poise between industrialists and labors are not reached. LMF methods doesn't gives opportunity for would-be labor has lower education such as elementary school and junior high school. In general, they have poor life and lives in rural area. LMF system just gives to would-be labor has high education and gets the high qualification in their college.

In acceptance system for labors, BUMD management must based on local government regulation or known in Indonesian as Peraturan Daerah (PERDA). It's to protect and prioritize the would-be labors from the natives, the poors and the rural people. Based on local government regulation in South Sumatera Province, percentage from the accepted labors from elementary school are 15%, junior high school are 15%, senior high school are 20% and for more higher education are 50%. For the accepted labors from lower education sould have coaching earlier and give them to security, driver or cleaner position. All of the labors must become permanent labors. It's not same like as outsourcing labors in private sectors. So that BUMD labors can working productively.

The recruitment system for prospective workers at the BUMD mentioned above, is a model for the acceptance of prospective workers in all Indonesian companies in the future. The hope of the Indonesian people to get jobs and welfare is a state obligation. The state is obliged to promote public welfare which is contained in gold ink by the Founders of the Republic of Indonesia in the Preamble of the Constitution of the Republic of Indonesia of 1945. Article 27 (2) of the 1945 Constitution of the Republic of Indonesia states that: "Every citizen has the right to work and a decent livelihood".

The facts show that tens of thousands of Indonesian citizens must work by becoming migrant workers because they do not get the opportunity to work in the country. Even though various reports in the mass media, that: a) migrant workers are "foreign exchange heroes" and; b) migrant workers with foreign exchange of US \$ 6 (six) billion dollars every year. But the negative impact of migrant workers, among others: extortion and unfair treatment starting from the departure, the country to work and until returning home.

The Legal Basis of Establishment of BUMD in Indonesia are:

a. Act Number 5 of 1962 Concerning Regional Companies Conceptually the establishment of a BUMD in the regional government cannot be separated from the provisions of Act Number 5 of 1962 concerning regional companies which are the forerunners of the emergence of BUMD. Before the existence of Act Number 32 of 2004 concerning regional government as amended by the provisions of Act Number 12 of 2008, the term used was regional companies. According to the provisions in the law the regional companies referred to as regional companies are: "All companies established under this Law whose capital is for the whole or for a part are separated Regional assets, unless otherwise determined by or based on the Act" (Act Number 5 of 1962 Article 2). Act. Number. 5 of 1962 did not expressly regulate the form, construction and type of a BUMD, even though this was answered in Minister of Home Affairs Regulation Number. 3 of 1998. Law. Number 5 of 1962 only explained the requirements for the establishment of a regional company with a regional regulation. In the formation of a regional regulation, it cannot be separated from the elements of the Local Government and DPRD as the policy makers in the regional government. This condition will be vulnerable to political elements and the interests of the parties involved in the formation of a regional regulation in a regional company. The field of supervision of potential conflicts of interest is related to monitoring the performance of a BUMD. It is clear that the supervision within the regional company is the authority of the regional head with all levels, but on the other hand also in determining the board of directors or managers of the BUMD still involves the DPRD as a consideration for the regional government in deciding policies related to BUMD.

b. Act Number 32 of 2004 as amended by Act Number 12 of 2008 concerning Local Government. In the provisions of this law only regulate the authority of the regions to form a BUMD based on a regional regulation. This law does not specify in detail how the procedures and mechanisms for the formation of a local regulation. In the provisions explained :

“The Local Government can have a BUMD that has the formation, merger, release of ownership and / or its ownership; stipulated by a Regional Regulation that is guided by the laws and regulations "(Act Number 32 of 2004 article 177). These provisions are actually substantially the same as the provisions contained in Law Number 5 of 1962 but only different terms are used. Act. Number 5 of 1962 used the term of local company and in Act Number 32 of 2004 as amended in Act Number 12 of 2008 concerning local government termed BUMD.

c. Ministry of Home Affairs Regulation Number 3 of 1990 About the Management of Regional Property In the provisions of this regulation it is possible to regulate property

belonging to regions related to regional companies (BUMD), because in the formation, management and running of its activities, regional companies (BUMD) also use assets or property belonging to the region so that the provisions governing the use and maintenance of regional property are applicable.

d. Ministry of Home Affairs Regulation Number 4 of 1990 About Inter-Regional Cooperation. In the provisions of this Ministry of Home Affairs Regulation it is regulated regarding the forms, mechanisms, procedures and procedures for cooperation between regions and other parties as regulated in this regulation in relation to regional enterprise cooperation (BUMD). In addition, this regulation also regulates the form of contract management cooperation, share purchase, agency, share sales, etc. This provision also regulates the requirements of the parties who will cooperate with a regional company (BUMD), including the value of the investment.

e. Ministry of Home Affairs Regulation Number 3 of 1998 about the form of BUMD in the provisions of this regulation in a simple manner in Article 2 and 3 of the Minister of Home Affairs Regulation Number 3 of 1998 only regulates the form of BUMD which consists of non- regional companies and regional companies (BUMD). BUMD in the form of regional companies is formed based on the Regional Regulation, while the regional enterprises (BUMD) in the form of a company are formed based on the provisions of Act Number 40 of 2007.

f. Home Affairs Minister's Decree Number. 50 of 1999 About BUMD Management, Article 2 states that: BUMD management consists of directors and supervisory bodies. Related to the duties, authorities, and responsibilities of the directors regulated in Article 3 through Article 8. While related to the duties, functions, responsibilities and authority of the supervisory body regulated in Article 18 to Article 22.

g. Home Affairs Minister's Decree Number 43 of 2000 about Guidelines for Cooperation with Third Parties. In this provision, regional companies can cooperate with third parties in accordance with the provisions of Article 1 paragraph (3) said that third parties are Provincial Governments, District Governments, City Governments, Regional Companies (BUMD), Government Agencies or Institutions and other Business Entities individual, national or foreign.

h. Act Number 40 of 2007 concerning the Partnership Company, in substance in this law regulates "lex specialist derogat legi generali". In the law, the company specifically only regulates the construction of forms, processes of establishment and everything related to the status of a business entity in the form of a company. In the provisions of Home Affairs Ministry Regulation Number. 3 of 1998 explained that the form of a BUMD could take the form of a regional company or a company. This means that the construction of BUMD in the form of a limited liability company (PT) must comply with the provisions of this act.

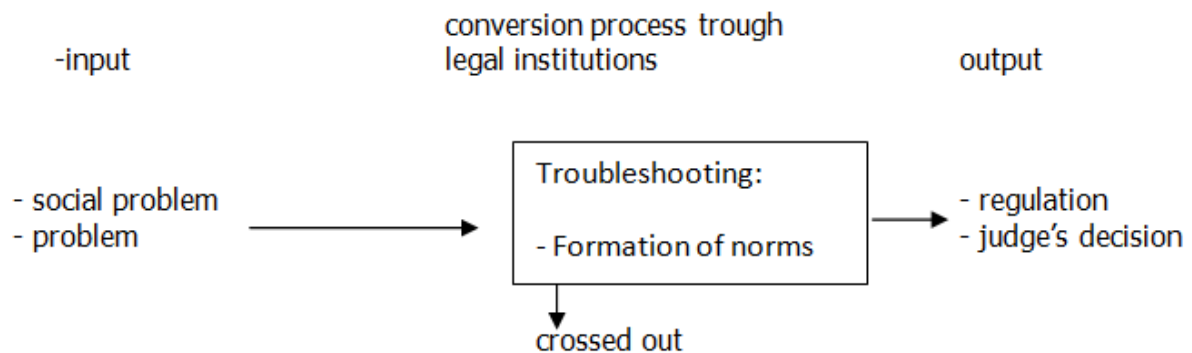
Government restructuring which was initially introduced through Act Number 22 of 1999 about Local Government, which was later revised by Act Number 32 of 2004, is essentially seen as a "new era" in the implementation of regional autonomy in Indonesia. The decentralization policy was introduced since 1999, namely with the enactment of Act Number 22 of 1999 and revised with Act Number 32 of 2004, *first*, 1) the decentralization policy was adopted amid political changes and democratic pressures; and 2) the implementation of decentralization policies in the past decade has had a broad impact on the political dynamics in the region (local politics). Decentralization is a multi-dimensional concept. In general, decentralization is the transfer of authority and responsibility of the (national) central government to the lower hierarchy of government. *Second*, decentralization can also be seen from the financial dimension of financial transfers provided by the central government to

regional governments; and third, from the political dimension, decentralization is devolution of power.

Decentralization, in essence, is an effort to make the level of community prosperity evenly between the central and regional governments and between regions. The theory of welfare state (Welfare State) is a country aspired by British society in particular and Western Europe in general. First, Welfare State in terms of the economic system seeks to continue to carry out the goodness of the capitalist system on the one hand and on the other hand strives to carry out the goodness or ideals of socialism which at the same time try to eliminate, or at least reduce, the ugliness of the system capitalism. Welvaart Staat in the sense of the Dutch language which also concerns material prosperity, while Welfare State also concerns spiritual prosperity including freedom of political freedom.<sup>1</sup> So Welfare State encompasses full human development, both material and spiritual prosperity. The chapter on Welfare State is described in this book because the system is widely mentioned by our state builders including Dr. Moh. Hatta, Mr. Ali Sastromidjojo and Sutan Syahrir, so that it might fit the national personality or at least require special attention to be studied.

Satjipto Rahardjo discusses the three theories of the rule of law, the law works by way of blocking one's actions or relationships between people in society. *First*, for the purpose of the erection, the law describes its work in its various functions, namely: (1) the making of norms, both those which provide designation and those that determine the relationship between people and people; (2) settlement of disputes; (3) guaranteeing the continuity of community life, namely in the event of changes.

*Second*, this aspect of legal work seems to be static, that is, it solves the problem confronted with it in a concrete way, which is to regulate existing social relations. To facilitate our capture of the problem to be raised, the following is attempted to describe it in the form of input and output processes. *Second*, this aspect of legal work seems to be static, that is, it solves the problem confronted with it in a concrete way, which is to regulate existing social relations. To facilitate our capture of the problem to be raised, the following is attempted to describe it in the form of input and output processes.



**Diagram 1** Normal conversion flow and it's deviation.

*Third*, the diagram above illustrates the flow of problem solving and the resolution of normal disputes and deviations that occur, that is, those described through the crossed out state. This write-off or cancellation event is not caused by a matter or case that does not continue in the processing, but because of other reasons that will be discussed below later. The write-off is referred to as not proceeding with the process, for example: cases that the police did not forward to the prosecutor's office, nor did the prosecutor's office proceed to the court because of various shortcomings that could not be prosecuted.

The establishment of Regional Companies by the Regional Government is made possible under Article 177 of Act Number 32 of 2004 about Local Government. According to Act Number 5 of 1962 about Local Companies, that regional companies formed by an area must be subject to Local Regulations. The formation of regional companies must have a clear motivation, because in principle the regional government is not a business actor but has the main responsibility of doing development and service for the community. While it is known that the implementation of development is known to require capital in large enough quantities and is available at the right time. Therefore the existence of regional companies must be aimed at supporting development and community service by not harming regional finances, and even having to provide benefits to regional finances.

Development and services for the society, one of which is to create jobs in South Sumatra, which are the conditions of the population below.

**Table 2** Number of Populations Aged 15 Years and Over by District / City and Types of Activities During the past week in South Sumatra Province, 2015

District/City	Work	Open Unemployment	Amount	Not the Labor Force	Amount
1	2	3	4	5	6
1. Ogan Komering Ulu	155 208	12 836	168 044	82 945	250 989
2. Ogan Komering Ilir	343 665	25 421	369 086	187 540	556 626
3. Muara Enim	282 665	20 271	302 936	117 995	420 931
4. Lahat	197 591	8 783	206 374	74 749	281 123
5. Musi Rawas	193 051	4 023	197 074	76 644	273 718
6. Musi Banyuasin	269 140	15 983	285 123	141 215	426 338
7. Banyuasin	360 305	21 215	381 520	189 879	571 399
8. OKU Selatan	186 238	3 473	189 711	54 517	244 228
9. OKU Timur	321 099	15 961	337 060	133 183	470 243
10. Ogan Ilir	202 337	11 615	213 952	76 750	290 702
11. Empat Lawang	115 421	6 344	121 765	45 491	167 256
12. PALI	87 253	825	88 078	31 147	119 225
13. Musi Rawas Utara	79 422	2 445	81 867	43 304	125 171
<b>City</b>					
1. Palembang	663 315	69 806	733 121	432 210	1 165 331
2. Prabumulih	82 887	5 534	88 421	36 618	125 039
3. Pagar Alam	72 798	2 665	75 463	21 675	97 138
4. Lubuk Linggau	83 471	11 721	95 192	60 659	155 851
<b>South Sumatera</b>	<b>3 695 866</b>	<b>238 921</b>	<b>3 934 787</b>	<b>1 806 521</b>	<b>5 741 308</b>

**Sources:** National Labor Force Survey Agustus 2015

The data above shows the number of open unemployed 238,921 people. Whereas the actual number is greater than that, in terms of the number of graduations from universities that graduated every year from Sriwijaya University alone more than 2,000 people each year, plus from various private universities. Likewise, graduates of junior and senior high school who cannot continue their education.

Society empowerment (along with its institutions, including BUMD according to Ginandjar Kartasasmita, an effort to increase the dignity and layers of society that are now unable to escape the poverty trap and underdevelopment. As one of the spearheads of



reducing unemployment through the creation and expansion of employment opportunities and utilizing the presence of foreign workers to improve the skills of Indonesian workers, *first*:

- a. The development of information technology and means of transportation has not yet been made, as well as the increase in international labor migration as the basis for the preparation of labor placement policies.
- b. Not yet in line with the work placement program with the prevailing laws and regulations (Article 27 of Act Number 39 of 2004).
- c. The absence of existing labor placement regulations accommodates the development of placement schemes.
- d. There are still many job opportunities through unproductive workforce placement programs and inadequate income. The difficulty of the technical work unit is related to accessing the data of workforce placement, so that the related technical work units cannot perform their functions properly.

Second on August 2014 (see table below). Fluctuations in employment tend to be caused by inactivity rather than open unemployment, where the outflow of work to become inactive is higher than the outflow of work to become open unemployment.

**Table 3** Labor Market Indicator

Variable	Februar		Novembe		February	Mei	August	February
	y	May	August	r				
	2013	2013	2013	2013	2014	2014	2014	2015
Important Variable (million)								
Population aged 15 year and above	178,8	179,4	180,0	180,6	181,2	181,8	183,0	184,6
Population included workforce	123,6	124,1	120,2	124,7	125,3	126,0	121,9	128,3
- Work	116,4	117,0	112,8	117,7	118,2	118,9	114,6	120,8
- Not Work	7,2	7,1	7,4	7,1	7,2	7,2	7,2	7,5
Population not included work Force	55,1	55,3	59,8	55,8	55,9	55,7	61,1	56,3
- School	15,2	15,4	14,6	15,5	15,9	16,1	16,8	16,5
- Taking care of household	32,8	32,7	36,0	33,4	32,9	33,4	34,0	32,5
- Other activity	7,1	7,2	9,1	6,9	7,1	6,2	8,3	7,3
Important Indicator								
Rate Participation of Workforce	69,2	69,2	66,8	69,1	69,2	69,3	66,6	69,5
Rate of inactivity	30,8	30,8	33,2	30,9	30,8	30,7	33,4	30,5
Unemployment rate	5,8	5,7	6,2	5,8	5,7	5,7	5,9	5,8
Job ratio compared to population	65,2	65,2	62,7	65,2	65,2	65,4	62,6	65,5

**Sources:** BPS (2014) Labor Force Situation in Indonesia: February 2015, Central Bureau of Statistics, Jakarta.

Third, the rate of open unemployment in August 2014 and February 2015 is estimated at 5.9 percent and 5.8 percent. This unemployment rate below 6.0 percent indicates that the target of reducing unemployment from 5 to 6 percent in 2014 as stipulated in the RPJM in 2010-2014 has been fulfilled by Susilo Bambang Yudhoyono's government. Although this is a success, open unemployment is still a problem for certain groups. For example, in Indonesia open unemployment is a problem for young people, where the open unemployment rate among the population aged 15 to 24 years is estimated at 22.2 percent in August 2014 and 18.3 percent in February 2015.

Salamoen, said to reduce the amount of unemployment, then one of the efforts to multiply and build labor-intensive BUMD. Presidential Instruction Number 5 of 1988 classified BUMN / BUMD into several groups according to its business activities:

- His efforts were in the form of certain infrastructure development and construction tasks.
- Producing goods because certain considerations (security and confidentiality) must be controlled by the State.
- Founded on consideration to implement certain or strategic government policies
- Established with the aim of protecting the safety and welfare of the community.
- Founded based on the applicable laws and regulations must be owned and managed by the government.
- The business is commercial and its function can be carried out by the private sector.

In addition to conducting the aforementioned business activities, BUMN / BUMD is a regionally owned company should also consider reducing unemployment in its area with maximum efforts to: a) accept unemployed regional male workers; b) prioritizing the people around the company; and c) come from poor family

To fill vacant work positions in a company, job vacancy information, first, is prepared for then disseminated or informed by the company to the public, especially to job seekers. The manpower regulation that specifically regulates information about job vacancies from companies is the Presidential Decree Number. 4 of 1980 signed by President Soeharto. Unfortunately, until now there has been no recent regulation as a revision or replacement of this Presidential Decree. Thus legally, even though it is a product of long-standing regulations, this Presidential Decree is still valid.

Second, there are several Articles in Presidential Decree Number.4 of 1980, related to the discussion of this matter,

- a) Article 2 (1) Every entrepreneur or management must immediately report in writing every time there is or will be a job opening to the Minister or his appointed official;
- b) the report as referred to in paragraph (1) contains: a. The amount of labor needed; b. The type of work and terms of office classified in gender, age, education, skills / expertise, experience and other requirements deemed necessary;
- c) Article 3: in the case of a company having branch offices or a stand-alone section, the obligations referred to in Article 2 apply to each of the Branch Offices or parts thereof;
- d) Article 4: Entrepreneurs who will announce job openings through mass media must first fulfill the provisions referred to in Article 2 paragraph (1) and paragraph (2); and
- e) Article 5 : If the same work in Article 2 paragraph (1), Article 3 and Article 4 has not been filled, the employer or management must immediately report to the Minister or the appointed Officer.

*Third*, based on the Articles in Presidential Decree Number 4 of 1980, the flow of information on job vacancies can be concluded: before being announced to the public, job vacancy information was first submitted in writing to the Minister (for jobs that are nationally recruited) and to the Head of Service Employment in districts / cities and provinces for job vacancies in the regions. After being received and verified by the Ministry of Employment or the Office in charge of labor, the job openings are then disseminated through the mass media. The recruitment process for workers, companies can do it themselves in accordance with Act Number. 13 of 2003 About Employment Article 35 Paragraph (1): Employers who require workers can recruit their own workforce or through the placement of workers.

However, in order for the data collection and monitoring workforce to run well, the company should include the Regency / City or Provincial Employment Office in this recruitment process, at least consistently reporting on recruitment and reporting the final results of recruitment. If the vacancy has been filled, the company must report the final results of the fulfillment of the job vacancy to the Ministry or Service in charge of Manpower in the Province and Regency / City.

*Fourth*, in the era of increasingly sophisticated digital communication technology, information flows are growing rapidly. Of course this affects all lines of life. Regarding job information, it is now very easy to find traffic information in social media through Facebook, Instagram, Whatsapp, BBM, and other applications. Information is so easy to spread and can reach all corners of the world in just seconds.

As one of the countries that has ratified ILO Convention Number 88 which was later strengthened by Presidential Decree Number. 36 of 2002, labor placement services are provided free of charge or free of charge. Thus, every process in the effort to place workers both in companies and in government agencies, is not allowed to withdraw funds to job seekers. Including during the Job Fair, organizers are prohibited from charging fees. This is specifically regulated in Minister Regulation Number 39 of 2016 about Employment Placement in Article 54 Paragraph (3): Organizers of Job Opportunities Exhibition (Job Fair) as referred to in Article 53 are prohibited from charging fees in any form to Job Seekers.

Second, in the future, we expect that the employment placement system that has been regulated in some official regulations can work well and can provide benefits to all parties. Ideally, the State, in this case the Employment Office must always be present and can provide the best service to companies and job seekers.

To increase the company's concern in helping reduce unemployment by holding a socialization on the implementation of Presidential Decree Number. 4 of 1980 about the obligation to report job openings. The decree must be carried out by the entrepreneur or company, which is one of the obligations of the company contained in Presidential Decree Number 4 of 1980 is that every entrepreneur or management must immediately report in writing every time there is or will be a job opening to the Minister or his appointed official. The report referred to is the amount of labor needed, the type of work and terms of office classified in, gender, age, education, skills and expertise, experience and other requirements deemed necessary.

One good service in this regard is the Minister of Employment and Transmigration when launching the Mandatory Reporting facility for online companies in Bandung, first, that now the company does not need to bother to fulfill the obligation to report its labor conditions manually to the Ministry of Employment. This facility makes it easier for companies to report their employment conditions. Reports can be done quickly, easily, cheaply. In addition to making it easier for companies to report, the online system also makes it easier for labor inspectors to supervise.

WLLP problem, first, the result of an interview with Almer Havis as the owner of the company PT. Nagata Prima Tuna, which is a private-owned company, explained that the company never reported about the existence of job vacancies in the company. The same thing is the same as the results of an interview delivered by Muhammad Iqbal as a representative of PT. Lintas Arta also said that the company never did any job vacancies if their company opened job openings, but if the company opened job openings they would make news through the mass media.

*Second*, Article 4 of Presidential Decree Number. 4 of 1980, stated that: "Entrepreneurs who will announce job openings through the mass media must first fulfill the provisions

referred to in Article 2 paragraph (1) and paragraph (2)". Article 2 paragraph 1 of the Presidential Decree, that: "Every employer or management must immediately report in writing every time there is or there will be job openings to the Minister or his appointed official". Whereas what happens is private companies that promote job openings through advertisements in the mass media do not report job vacancies in accordance with the provisions in Article 2 and Article 4 of Presidential Decree No. 4 of 1980. This is due to ignorance of the company.

Third, the rate of compliance in reporting this vacancy has been lower since the enactment of regional autonomy. The absence of strict sanctions from the government affects the high level of non-compliance by employers in reporting in writing to the government whenever there is or will be a job opening. In Presidential Decree Number. 4 of 1980 about Obligatory Reporting for Employment, work was not regulated regarding sanctions that would be received by a company if it did not report job openings. The ministry is currently reviewing the possibility of rearranging the sanctions into the Minister of Employment Regulation. Sanctions that will be applied, may be in the form of administration or not given public services. This sanction is believed to increase the level of compliance of employers. The Presidential Decree Number 4 of 1980 is still valid today, but the unclear sanctions that make the Disnaker unable to do anything if there is a violation. This is because previously sanctions regarding reporting obligation violations are regulated in Article 17 of Act Number 14 of 1969 before the Act is deleted and replaced by Act Number 13 of 2003 about Employment. With no rules regarding sanctions that can be given to companies that do not carry out the obligation to report job vacancies in Act Number 13 of 2003, companies that do not undertake mandatory reporting jobs cannot be subject to any sanctions.

There are no sanctions, law enforcement is weak. Law enforcement, according to Satjipto Rahardjo, citing Van Doorn provides a basis for discussing personal environmental issues of the law enforcer. Van Doorn very well said that in his position as a function holder within the framework of an organization, a law enforcer tends to carry out his function according to his own interpretation which is motivated by various factors. The emphasis on environmental influences on the personal law enforcers cannot be abandoned at all. Cultural problems can be overcome with good management organizations.

Organizations are supported by a number of systems. The system is like a pillar or pillar that guarantees the existence of the organization. The operation of the organization through effective system support is essential for the achievement of organizational goals. Mc Kinsey introduced the 7 S Concept as an organizational pillar namely, strategy, structure, systems, staff, style, skills, and super ordinate goals. This means that the organization will be effective if the seven S's are designed and integrated harmoniously as organizational architecture.

Management according to Azhar Maksum, will tend not to do engineering on financial statements, because of the obligation to comply with various applicable accounting rules and principles and the presentation of information in a transparent manner. In general, in order to realize the principles of *good corporate governance* within the scope of the company, especially in the management of BUMD, it must be understood and implemented the five principles in a real and real manner in the management of BUMD. The five principles include: *Transparency* , *Accountability* , *Responsibility* , *Independence* , and *Fairness*

BUMD according to Emy Pangaribuan, throughout Indonesia who want to restructure BUMD by directing all forms of business entities into construction of the company in accordance with the provisions contained in the Act. Number. 40 of 2007 concerning limited liability companies. One of the main objectives of the formation of the BUMD of the company is intended to realize the concept of "good corporate governance". Cultural reasons for BUMD in law enforcement can be justified for the study of Western or European society,

but in a society with a culture of Indonesia, it can gradually adjust to the times and interests concerned. BUMD must follow the provisions of legislation with modern management management based on legal certainty, fairness, equality, effective and efficient, transparency and accountability.

#### 4. CONCLUSION

1. BUMD is one of the spearheads of reducing unemployment through the creation and expansion of employment opportunities both at home and abroad, in fact BUMD's only prioritize the recruitment of workers who recruit with the *Labor Market Flexibility* (LMF) system. The impact of the LMF does not significantly reduce unemployment from sons of high, middle and low education.
2. To fill vacant working positions in a company including in BUMD, convey information on job vacancies to the community, especially to job seekers of regions with specified qualifications. Information on job vacancies is regulated in the Presidential Decree Number 4 of 1980. This information must be submitted with the Provincial and District Employment Offices, to be filled by job seekers who have applied for and took the Yellow Card in the institution.
3. Regional development planning, has not prioritized the creation of employment opportunities in all sectors as an effort to reduce youth unemployment, especially those with low and middle-income. BUMD Constraints to employing son of local area: a) patterns of acceptance with the LMF system that are not possible to accept prospective workers with low education; b) the nature of self-employment is capital intensive rather than labor intensive; c) employee acceptance tends not to be transparent, if there is still a factor of collusion with internal parties and externals that are difficult to overcome by management; and d) the specifications of the worker even if requested with the local Employment Office, do not fulfill the specified requirements.
4. The Governor / Regional Head must prioritize the establishment of labor-intensive in BUMD's, prioritizing medium technology that can absorb many prospective workers. Then the raw materials besides being supplied by the company, can also be obtained from agricultural, plantation and business efforts of rural society.
5. The Governor / Regional Head is generally the BUMD's main commissioner play a role as a good househusband for his citizens, so he must prioritize: a) local sons to work at BUMD, b) from poor families, c) quality of elementary education (15% ), Middle School (15%), High School (20%) and the rest with Labor Market Flexibility (LMF) system, and d) The BUMD, if a factory artist, must use the raw materials of the local business / agriculture to increase value and ensure sustainability sales.
6. District / City and Provincial Employment Offices, proactively through Village and Sub District Heads, by appealing for job seekers to apply to work for BUMD companies in the region. Job seekers in the acceptance process are expressly and clearly free of charge until there is certainty of being accepted or rejected by their job application.

#### KEYNOTES

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