The Role Of Job Creation Law On Resistance Of Small Medium Micro Enterprises (MSMEs) During Covid-19 Pandemic

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are business units that significantly contribute to economic growth in Indonesia. The MSME sector has become a business unit that contributes to Gross Domestic Product (GDP), absorbs labor, and revives the community’s economy. Thus, MSMEs can be declared as one of the pillars of the nation’s economy, so it needs special attention from the government. However, in its running, MSMEs in Indonesia are facing an economic crisis due to the Covid-19 pandemic that has hit since 2020. This has made MSME conditions worse due to declining people’s purchasing power, capital problems, and raw materials. Therefore, a comprehensive policy is needed to overcome this, one of which involves Law No. 11 of 2020 concerning Job Creation (UU Cipta Kerja). The purpose of this research is to present knowledge and understanding about the role of the Job Creation Act in creating MSME resistance to the impact of the Covid-19 pandemic. The research method used is a normative juridical research method with a descriptive research nature.

Keywords

Covid-19, Micro, Small and Medium Enterprises (MSMEs), Job Creation Law

Introduction

Economic development is an essential element in the running of a region or
country. In its development, the economic factor is related to various variables, such as human resources, natural resources, capital, technology, and others. Economic development also has a big goal, to realize the broadest welfare for the community. To ensure the success of economic development, it is necessary to have specific indicators to measure the increase in economic output from time to time which is often called "economic growth". As a country with a large population, Indonesia can take advantage of this potential to increase national economic growth. Residents can be actors or resources in production activity, as well as consumers of the products. Therefore, knowledge of the population structure and socio-economic conditions of the community becomes imperative in calculating future economic development.1

Currently, economic development in Indonesia cannot be separated from the role of Micro, Small and Medium Enterprises (MSMEs). This is because MSMEs as business units have more numbers than large-scale industrial businesses and contribute to absorbing more workers, as well as accelerating the process of equity as part of economic development. Thus, MSMEs are productive business units to be developed to support macro and micro-economic development, as well as have a positive influence on other economic sectors in Indonesia.2

Despite having a significant role in economic development, several problems are still often faced by MSMEs in Indonesia, such as licensing, capital, and the vulnerability of MSMEs in meeting the financial crisis. In response to this, the government is trying to fix it through a legal product in the form of Law Number 11 of 2020 concerning Job Creation (UU Cipta Kerja). Through the Job Creation Law, the government seeks justice for MSME actors who have contributed significantly to the country's development but have limited business opportunities. The form of justice that the government wants to present is to provide convenience for MSMEs by rearranging business criteria, using single data to give policies for MSMEs, partnership patterns, and providing other facilities (Olaoluwa & Ebey, 2022).3

Currently, the operation of MSMEs in Indonesia is experiencing difficult times due to the Covid-19 pandemic. The Organization for Economic Co-operation and Development (OECD) report states that the Covid-19 pandemic has implications for a significant economic crisis marked by the inhibition of production activities in various countries, a decline in public consumption, loss of consumer confidence, and a reduction in the stock market. Thus, it also affects the operation of MSMEs as one of the pillars of the Indonesian economy. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises

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(KemenkopUKM) reported that as many as 37,000 MSMEs were affected by the Covid-19 pandemic, consisting of 56% experiencing financing problems, 15 percent experiencing problems with distributing goods, and 4% having difficulty getting raw materials (Oppong & Bruce-Amartey, 2022).

The Covid-19 pandemic, which has caused an economic crisis and impacted the sustainability of MSMEs in Indonesia, requires the government to immediately resolve these problems through existing legal products. The Job Creation Act, as a legal product that aims to develop and advance MSMEs, can be used as government advice in creating MSME resistance to face the Covid-19 pandemic.

**Method**

The author uses the type of normative juridical research. Normative juridical research is library law research, which can be said to use secondary data. This research focuses on the analysis of the application of rules or norms in positive law, in particular Law Number 11 of 2020 concerning Job Creation which is associated with MSME resistance to the Covid-19 pandemic. The nature of the research used is descriptive research, namely research that aims to provide an overview or explanation of a legal phenomenon. In addition, this study also uses a problem approach through a legal approach (statute approach) and a conceptual approach (conceptual approach). The legal approach (statute approach) is carried out by analyzing all laws or regulations related to the legal issues being studied, namely Law Number 11 of 2020 concerning Job Creation and Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. and Intermediate. Meanwhile, the conceptual approach involves the views or doctrines that develop in the science of law. Thus, researchers can find ideas or ideas that give birth to understanding, concepts, and legal principles relevant to the issue being studied.

**Discussion**

**Development of MSMEs in Indonesia**

Indonesia's Development In analyzing the development of Micro, Small and Medium Enterprises (MSMEs) amid the Covid-19 pandemic, it is necessary first to understand the meaning of MSMEs. The definition of MSMEs based on Article 1 of Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises are:

a. Micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro-enterprises as regulated in this Law.

b. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either

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directly or indirectly of Medium Enterprises or Large Businesses that meet Small Business criteria as referred to in this Law.

c. Medium Enterprises are productive economic businesses that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small Businesses or Large Businesses with total assets: net or annual sales proceeds as regulated in this Law.

d. Large Business is a productive economic business carried out by a business entity with net worth or annual sales proceeds greater than Medium Enterprises, which include state-owned or private national businesses, joint ventures, and foreign businesses conducting economic activities in Indonesia.

e. Business World is Micro, Small, Medium and Large Enterprises that carry out economic activities in Indonesia and are domiciled in Indonesia.

In addition, based on the 1945 Constitution, which was later strengthened through TAP MPR No. XVI/MPR-R1/1998, concerning Economic Politics in the context of Economic Democracy, Micro, Small and Medium Enterprises, stated that the empowerment of MSMEs is an essential aspect as part of an integral part of the people's economy that has a strategic position, role, and potential to realize a balanced, developing, and just national economic structure. MSMEs are a form of community role in economic development with strategic involvement. In addition, MSMEs are also a means of community economics in utilizing natural resources and are labor intensive, such as in the agricultural, livestock, fishery, trade, and tourism sectors.

Regarding economic growth, MSMEs significantly contribute to the Gross Domestic Product (GDP), 61.97 percent of the total national GDP equivalent to Rp. 8,500 trillion in 2020. This shows that MSMEs have an essential role in the running of the economy in Indonesia. In addition, MSMEs also have several other parts in the country's economy, namely: 1. As the main actor in economic activities; 2. As a provider of employment opportunities; 3. Developing local economy and community empowerment; 4. Creating new markets and sources of innovation; 5. Provide a positive impact on the country's balance of payments.

In the future dynamics of the world economy, MSMEs will have a great dominance in economic growth in a country. Thus, countries building solid networks and developing MSMEs will succeed in business competition in the global market. With the strategic role of MSMEs in the country's economy and the development of the world economy, strategic steps are needed to increase the competitiveness and growth of MSMEs. This is part of the government's responsibility to make policies that can support the development of MSMEs. The government policies in the MSME sector include People's Business Credit, Food Security and Energy Credit,

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Agricultural Agribusiness Business Program, and so on.\textsuperscript{7}

In addition, the government has also increased the human resources directly or indirectly involved in MSME activities. In its progress, the government has organized capacity building in collaboration with various agencies and institutions, improving and mastering the technology used in MSME activities. Mastery of technology, especially Information technology (IT), is crucial for MSMEs facing the global market. The development and assistance of MSMEs also require education based on improving the capabilities and skills of MSME actors to empower strategies. The goal is to create social justice that provides a sense of peace to the community and social and political equality. This is related to community economic empowerment, namely strengthening ownership of production factors, strengthening distribution and marketing control, and strengthening communities to obtain information, knowledge, and skills, which are carried out in multi aspects, both from community aspects and government policy aspects.

The Impact of the Covid-19 Pandemic on the Sustainability of MSMEs

The current Covid-19 pandemic has impacted various sectors, including the economy. MSMEs, as a business unit with a broad scope in the Indonesian economy, will also feel the destructive impact of the Covid-19 pandemic. The decline in people's purchasing power, and the availability of raw materials, for business loans are the main impacts felt by MSMEs. If left unchecked, the economic crisis could spread further and disrupt social stability in Indonesia. Therefore, the government needs to issue economic policies that can present MSME resistance to the Covid-19 pandemic. The Impact of the Covid-19 Pandemic on the Sustainability of MSMEs.\textsuperscript{8}

The current Covid-19 pandemic has impacted various sectors, including the economy. MSMEs, a business unit with a broad scope in the Indonesian economy, will also feel the harmful effect of the Covid-19 pandemic. The decline in people's purchasing power, and the availability of raw materials, for business loans are the main impacts felt by MSMEs. If left unchecked, the economic crisis could further disrupt Indonesia's social stability. Therefore, the government needs to issue economic policies that can present MSME resistance to the Covid-19 pandemic.

Based on a study by the Ministry of Finance, the Covid-19 pandemic has had negative implications for the domestic economy, such as a decline in people's consumption and purchasing power, a decrease in company performance, threats to the banking and financial sector, as well as the existence of MSMEs, which are explained as follows: First, in terms of consumption and people's purchasing power,
this pandemic has caused many workers to decrease or even lose their income, thus affecting the consumption and purchasing power of people, especially those in the category of informal workers and daily workers. Most people are cautious about managing their financial spending due to uncertainty about when the pandemic will end.9

Second, on the corporate aspect, this pandemic has disrupted the performance of companies, especially those engaged in the trade, transportation, and tourism sectors. The social distancing policy, which was later changed to physical distancing and working from or at home, impacted the company’s performance decline, followed by termination of employment. In addition, several companies finally chose to close their business. Third, in the banking and financial aspects, this pandemic raises fears of problems in paying debts or credit, which impacts the sustainability of bank performance. Many creditors have asked for the relaxation of limits and the amount of debt and credit installment payments to the bank. Not to mention entrepreneurs must pay attention to fluctuations in the rupiah exchange rate, which will disrupt the production process, especially for companies that depend on imported raw materials.

Fourth, in the MSME aspect, this pandemic has caused a decline in performance from the demand side (consumption and purchasing power of the people), which ultimately has an impact on the supply side, namely termination of employment and the threat of default in credit payments. The problems above can get more prominent if they are associated with Indonesia's Large-Scale Social Restrictions (PSBB) policy. Referring to the Regulation of the Minister of Health Number 9 of 2020 concerning PSBB Guidelines in the Context of Accelerating the Handling of Covid-19, PSBB covers restrictions on certain activities of residents in an area suspected of being infected with Covid-19, including limitations on the movement of people and/or goods for a province or district/city. Certain cities to prevent the spread of Covid-19.10

Through the PSBB, economic activities such as production, distribution, and sales will experience disruptions that will significantly impact the performance of MSMEs and the national economy. This is worrying, considering that MSMEs are one of the pillars of the nation’s economy in generating economic growth and absorption of work landmarks. The policies that the government can take to create MSME resistance to the Covid-19 pandemic are: First, providing health protocol requirements in licensing MSME activities. Obligation to use masks, gloves, and safe distances between workers can be used as requirements for MSMEs to continue to carry out their activities. Of course, there needs to be cooperation from MSME actors and strict supervision from authorized agencies so that this health protocol can run well. Second, providing leniency in the payment of debt or credit for MSMEs. This can be done so that MSME actors, including workers, can maintain

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9 Tejamaya and others.
their level of consumption and purchasing power while at the same time supporting the running of the national economy.\textsuperscript{11}

Third, cash assistance to MSME actors, the Government of Indonesia has poured a budget of Rp. 70.1 trillion for tax incentives and people's business credit stimulus from the total budget of Rp. 405.1 trillion to overcome the Covid-19 pandemic through the 2020 State Budget. The budget distribution must be transparent, clear, and on target so that the existence of MSMEs and actual economic activity are maintained. Fourth, long-term structural policies. This policy deals with the COVID-19 pandemic and the industry 4.0 era in the future. This policy includes short-term policies for MSMEs, namely the introduction of digital technology and training for MSME actors and workers, as well as long-term policies for MSMEs to adapt to the use of technology for the production process, using digital technology media to promote MSME products and to find potential markets for SMEs. The resulting product.\textsuperscript{12}

\textbf{The Role of the Job Creation Law in Creating MSME Resistance}

In creating MSME resistance to the Covid-19 pandemic, UU Cipta Kerja can be a juridical means of achieving these expectations. In the preamble to the UU Cipta Kerja, it is stated that "regulations relating to the convenience, protection, and empowerment of cooperatives and micro, small and medium enterprises, improvement of the investment ecosystem and acceleration of national strategic projects, including increased protection and welfare of workers are spread across various laws.\textsuperscript{13} The current sector has not been able to meet the legal needs for the acceleration of work creation, so changes need to be made". The Job Creation Act itself is present as a solution to various problems faced by MSMEs, including 1. Low productivity, 2. Limited access to resources, particularly capital, technology, information, and marketing, 3. The low quality of the organization’s operations, 4. The low rate of cooperatives, 5. Unfavorable business climate, and 6. The number of MSMEs that are not in the form of a formal business entity.\textsuperscript{14}

Thus, empowering MSMEs is essential in overcoming the MSME problems mentioned above. Three aspects need to be considered by the government in implementing the empowerment of MSMEs, namely characteristics of capital, market freedom, and mastery of technology. In Article 5 of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, it is stated that the empowerment of MSMEs contains the following objectives: 1. Realizing a balanced, developing, and just national economic structure; 2. Grow and develop the ability of Micro, Small and Medium Enterprises to become solid and independent businesses; and 3. Increasing the role of Micro, Small, and Medium Enterprises in regional

\textsuperscript{11} Takeda, Truong, and Sonobe.
development for job creation, income distribution, economic growth, and alleviating people from poverty.

Based on Article 97 and Article 104 of the Job Creation Law, MSME actors and cooperatives are given at least 40 percent of the domestic product for procuring government goods/services that can be utilized for MSME business development. In addition, Article 13 of the Job Creation Law also states that the central government provides convenience, empowerment, and protection for MSME actors and cooperatives in implementing the investment. The Job Creation Law mandates the government to carry out safety by fostering and developing MSMEs through partnership programs, training, increasing competitiveness, innovation and market expansion, access to financing, and the broadest possible dissemination of information.\(^\text{15}\)

The Job Creation Law also stipulates that MSMEs do not have to fulfill the obligation to give awards or bonuses as stated in Article 92. Regarding licensing, Article 91 of the Job Creation Law explains that MSME registration can be done online or offline simply by attaching an Identity Card and business certificate from the community administrator (Rukun Tetangga). Henceforth, MSME business actors can obtain a Business Identification Number (NIB) through an electronic business license. In contrast, the business registration number is a single license that applies to all business activities. Regarding Article 92, Micro and Small Businesses are given convenience or simplification of tax administration to use for financing facilities from the central government following the provisions of the legislation in the field of taxation. In paragraph (2) Micro and Small Businesses that apply for business licenses can be given incentives through free-of-charge or a fee waiver.\(^\text{16}\)

In its implementation, the Job Creation Law is complemented by Government Regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises. In the PP, precisely Article 48, paragraphs (1), (2), and (3) regulates provisions regarding legal protection, which reads: 1. The central government and regional governments are obligated to provide legal assistance and assistance services to Micro and Small Business actors. 2. Legal assistance and assistance services for micro and small business actors, as referred to in paragraph (1), are free of charge. 3 Legal assistance and assistance services include legal counseling, legal consultation, mediation, and out-of-court assistance.

Various provisions in the Job Creation Law show that legally the government is trying to provide empowerment, development, and assistance to MSMEs in Indonesia. This is a legal provision that can have a positive impact on the existence of MSMEs. In addition, with various facilities regulated through the Job Creation Act, it is hoped that the effects of the Covid-19 pandemic will be minimized for MSMEs. These facilities can be used by MSME actors to be used as a way out of the current economic crisis.


Conclusion

Based on the explanation in this article, several conclusions can be drawn: first, SMEs are business units with a broad scope in economic development in Indonesia. Second, MSMEs have various positive contributions to the development and economic growth in Indonesia, ranging from employment and increasing GDP to improving the quality of the regional economy. Third, in dealing with the impact of the Covid-19 pandemic, MSMEs can take advantage of various facilities in the Job Creation Act to create resistance to the economic crisis that occurs.

Reference


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