

ANALISA SAHAM INDONESIA

In the name of Allah, the Most Gracious the Most Merciful

PP No. 36/2021 vs. PP. 78/2015

A news on lawsuit against Jakarta city Governor Anies Baswedan, this time about the increase of UMP (Upah Minimum Provinsi or province minimum wage) for the city triggered us to browse the new government regulation No. 36 of 2021 (PP No.36/2021) the replacement to the previous PP No.78/2015) on Remuneration.

- 1) The new regulation which is issued by the Ministry of Labor, as governed by a formula in the Article 26, had resulted an increase of UMP in the Jakarta city by 0.85% effective January this year. Meanwhile, the average increase over all provinces in Indonesia for this year is at 1.09%.
- 2) A check on the city's inflation rate and GDP growth during 4 (four) quarters preceeding deadline November 21, 2021 revealed figures of 1.14% YoY and 3.55% YoY, respectively. Average consumption percapita in Jakarta region is at IDR2.3mn/month. Average number of members of household is 4 (four) people. The average number of income-generating member in a household is 1 (one) person. All data are from the Indonesia Central Statistic, except the last one from the media.
- 3) The last point has been source of conflict, we note, especially when increase in the UMP does not match with the general increase of prices. This prompted labors protest in the city end of last year.
- 4) In December the city Governor issued a new decree for an UMP revision of an increase by 5.1% hike to IDR4,641,854 / month factoring-in estimates both for the country's inflation and GDP growth rate for this year

- 5) At the other end, based on the previous previous regulation of PP No.78/2015, as stated in the Article No. 44, we came up with an increase rate of UMP for Jakarta region by 4.69% for this year

New formula as in Article 26 of PP No.36/2021

$$UM_{(t+1)} = UM_{(t)} + \left\{ \text{Max} (PE_{(t)}, \text{Inflasi}_{(t)}) \times \left(\frac{\text{Batas atas}_{(t)} - UM_{(t)}}{\text{Batas atas}_{(t)} - \text{Batas bawah}_{(t)}} \right) \times UM_{(t)} \right\}$$

$UM_{(t+1)}$: minimum wage for the next year

$UM_{(t)}$: minimum wage at the prevailing year

Decree on the increase of annual UMP should be issued by November 21 each year and to be effective the following year

$\text{Inflasi}_{(t)}$: inflation rate for 4 (four) quarters preceeding the submission date

$PE_{(t)}$: GDP growth rate for 4 (four) quarters preceeding the submission date

$\text{Max} (PE_{(t)}, \text{Inflasi}_{(t)})$: multiplying factor of either current GDP growth $PE_{(t)}$ or current inflation rate $\text{Inflasi}_{(t)}$, whichever is higher

$\text{Batas atas}_{(t)}$: "Upper limit" is defined as :

$$\text{Upper limit} = \left\{ \frac{(\text{Average consumption percapita} * \text{the average number of people in a household})}{\text{Average number of income-generating members in a household}} \right\}$$

Old formula as in Article No. 44 of PP No.78 /2015

$$UM_{(t+1)} = \left\{ UM_{(t)} + UM_{(t)} \times (Inflasi_t + \% \Delta PDB_t) \right\}$$

$\% \Delta PDB_t$: GDP growth rate at the prevailing year

Concluding remark

About the new formula

- The new more variables-inclusive formula is questionable to fulfil the objective to create a more equal income among regions in Indonesia, as quoted from the media of the statement of the Ministry of Labor.
- Also in the case when the main driver of the formula is the “Upper limit”, which has an average number of members of a household as the numerator and number of income-generating members in a household as the denominator.
- Should the “Upper limit” produces lower $UM_{(t+1)}$, as stated by the regulation, the Governors should keep the $UM_{(t)}$ unchanged for the next year. This may create needless psychological effect from the labors perspective
- To need or more input of statistical data is to put higher risks to the computation of the formula

About the new regulation

- The new regulation omits Articles that govern payment for “ Sektor Unggulan “ or High-performing sectors available in the previous PP No.78/2015
- The new regulation introduces wages for part-time workers in-terms of hourly, weekly , monthly, and in terms-of works output, in accordance with Employers’ payment structure and scale

- The new regulation maintains the role of Remuneration Board both in the province and country's level
- Both regulations provide flexibilities for “reality-check”, also from the role of Remuneration Board.
- We put in the attachment simulation of computation of the new formula from media CNN Indonesia at the end of the page

The end of the Report

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Presiden Jokowi mengubah rumus perhitungan upah buruh. Ini tertuang dalam Peraturan Pemerintah Nomor 36 Tahun 2021 tentang Pengupahan yang merupakan aturan turunan UU Cipta Kerja. Dalam aturan baru, upah minimum meliputi Upah Minimum Provinsi (UMP) dan Upah Minimum Kabupaten/Kota (UMK). Berikut skema penetapannya.

Skema Penetapan Upah Minimum di Aturan Turunan UU Cipta Kerja

Upah Minimum

Upah minimum ditetapkan berdasarkan kondisi ekonomi dan ketenagakerjaan.

Meliputi:

- Tingkat daya beli
- Tingkat penyerapan tenaga kerja
- Median upah

Upah minimum dapat disesuaikan setiap tahun yang berdasarkan batas atas dan batas bawah upah minimum.

Skema perhitungan penyesuaian **batas atas** upah minimum

$$\text{Batas atas } UM_{(t+1)} = \frac{\text{Rata-rata konsumsi per kapita}_{(t)} \times \text{Rata-rata banyaknya ART}_{(t)}}{\text{Rata-rata banyaknya ART bekerja pada setiap rumah tangga}_{(t)}}$$

Asumsi

- Rata-rata pengeluaran per kapita masyarakat di provinsi tersebut sebesar Rp2,5 juta per bulan.
- Rata-rata banyak anggota rumah tangga (ART) 4 orang.
- Rata-rata banyaknya ART yang bekerja di setiap rumah tangga sama dengan 1 orang.

Maka perhitungannya menjadi

$$\text{Batas atas UM} = \frac{\text{Rp2,5 juta} \times 4 \text{ orang}}{1} = \text{Rp10 juta}$$

Skema perhitungan penyesuaian **batas bawah** upah minimum

$$\text{Batas bawah } UM_{(t)} = \text{Batas atas } UM_{(t)} \times 50\%$$

Asumsi

- Data serupa (batas atas upah minimum Rp10 juta).

Maka perhitungannya menjadi

$$\text{Batas bawah UM} = \text{Rp10 juta} \times 50\% = \text{Rp5 juta}$$

Skema perhitungan **nilai riil** upah minimum

$$UM_{(t+1)} = UM_{(t)} + \left\{ \text{Max}(PE_{(t)}, \text{Inflasi}_{(t)}) \times \left(\frac{\text{Batas atas}_{(t)} - UM_{(t)}}{\text{Batas atas}_{(t)} - \text{Batas bawah}_{(t)}} \right) \times UM_{(t)} \right\}$$

Asumsi

- Batas atas upah minimum Rp10 juta.
- Batas bawah upah minimum Rp5 juta.
- Asumsi pertumbuhan ekonomi 5% dan inflasi 3%. Maka, dipilih angka maksimal yakni pertumbuhan ekonomi sebesar 5%.
- Asumsi upah minimum tahun berjalan Rp4,2 juta.

Maka perhitungannya menjadi

$$\begin{aligned} UM &= \text{Rp4,2 juta} + \left\{ 5\% \times \left(\frac{\text{Rp10 juta} - \text{Rp4 juta}}{\text{Rp10 juta} - \text{Rp5 juta}} \right) \times \text{Rp4,2 juta} \right\} \\ &= \text{Rp4,2 juta} + (5\% \times 1,16 \times \text{Rp4,2 juta}) \\ &= \text{Rp4,2 juta} + \text{Rp243.600} \\ &= \text{Rp4.443.600} \end{aligned}$$