LEGAL IMPLICATION OF THE AMENDMENT TO COOPERATIVE REGULATION IN OMNIBUS LAW DRAFT BILL ON JOB CREATION

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The Draft Bill on Job Creation aiming to encourage investment to open job opportunity has amended several laws to be harmonized. One of the parts amended by the Draft Bill on Job Creation is Cooperative Law. In the Draft Bill on Job Creation, there are 4 articles of Cooperatives Law amended, i.e. the establishment of cooperatives can be conducted by 3 persons, the presence of members in Members Meeting can use representative system, the number of members can be recorded electronically, and the cooperatives is operated based on sharia principle. The amendment to 4 Articles of Cooperatives Law has implication to the amendment to other articles. The implication can be an imperative related to the presence of clear regulation about members, administrators, and cooperatives supervisors’ responsibility in both conventional and sharia-based cooperatives, the members of which consisted of 3 persons, and the regulation of cooperatives member meeting organization with representative system.

Abstrak

RUU Cipta Kerja yang bertujuan untuk mendorong investasi membuka lapangan kerja telah mengubah beberapa undang-undang agar diselaraskan. Salah satu bagian yang diubah oleh RUU Cipta Kerja adalah UU Koperasi. Dalam RUU Cipta Kerja terdapat 4 pasal UU Koperasi yang diubah, yaitu pendirian koperasi dapat dilakukan oleh 3 orang, kehadiran anggota dalam Rapat Anggota dapat menggunakan sistem perwakilan, jumlah anggota dapat dicatat secara elektronik, dan koperasi dijalankan berdasarkan prinsip syariah. Perubahan 4 pasal UU Koperasi berimplikasi pada perubahan pasal lainnya. Implikasinya dapat berupa keharusan terkait dengan adanya pengaturan yang jelas tentang anggota, pengurus, dan tanggung jawab pengawas koperasi baik pada koperasi konvensional maupun berbasis syariah yang anggotanya terdiri dari 3 orang, dan adanya pengaturan penyelenggaraan rapat anggota koperasi dengan sistem perwakilan.
INTRODUCTION

Cooperative as one of enterprises has different characteristics from other enterprises and until today is still believed to be able to promote the national economy and people wellbeing. The role of cooperative as business performer is equal to BUMN (state-owned enterprises) and private companies in national economic order. From the position of cooperatives as mentioned in UUD 1945 (1945 Constitution), the cooperative is not only at micro level or enterprise, but also at macro level or economic system

As the pillar of economic development, Cooperative is expected to contribute to economic development. Nevertheless, in fact, the contribution of cooperatives to national Gross Domestic Product (GDP) is still low but tends to increase, reaching 3.99 percents in 2016, 4.48 percents in 2017, and 5.1 percents in 2018. However, the number of active cooperatives existing in Indonesia tends to decrease since 2017. The number of active cooperatives is 151,170 units in 2016, increasing to 152,174 units in 2017, but decreasing to 126,343 units in 2018 and to 123,048 units in 2019

The expectation to make cooperatives the strong economic pillar and competitive in other form of enterprise and State-Owned Enterprises seems to be far from reach. The condition of cooperatives in Indonesia is currently still stagnant; it faces internal such problems as the decreasing number of members, human resource quality of cooperative administrators, and poorly functioning supervision. Data of research on failed cooperatives showed that the factors resulting in unsuccessful cooperatives in Indonesia are, among others, human resource quality of management, passive members, and people affiliated with cooperatives due to obligation, and poor network established by cooperatives

The result of study on the constraints making the cooperatives incapable of being competitive enterprises as aforementioned should be the foundation for the review on Cooperatives Law, and policy intended to cooperatives. Government has actually published Law No. 17 of 2012 about Cooperatives substituting for Law No.25 of 1992, but Law No.2012 has been revoked by Constitution Court through Verdict No. 28/PPU-XI/2013 as it is considered as in contradiction with the principle of cooperatives as wanted by Article 3 of 1945 Constitution.

Under Joko Widodo’s 2nd period-reign, government devises to encourage the investment and the creation of job opportunity through omnibus law. Cooperative institution becomes one of targets to be changed in order to take part in increasing investment and opening job opportunity. The measure taken by government is to simplify and to create job opportunity through omnibus law. The government’s measure has been included into the Draft Bill on Job Creation

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5. Maria Farida Indrati, “describing omnibus law as a (new) Law containing or governing a variety of substances and subjects for simplifying various laws still enacted.”, KOMPAS Daily, January 4th, 2020.
The harmonization and simplification of the legislation, in fact, also requires the amendment to the targeted legislation. In the Draft Bill on Job Creation, many Laws are simplified and harmonized, one of which is Law No. 25 of 1992 about Cooperatives. The Amendment to Cooperatives Law is classified into the same category as Law No. 20 of 2008 about Micro-, Small-, and Medium-Scale Enterprises. Business groups and enterprises become the target in increasing investment and creating job opportunity.

PROBLEMS

The tenth section of Chapter V specifically governs Cooperatives. There are 4 Articles in Cooperatives Law to be amended by the Draft Bill on Job Creation: Article 6 about the number of cooperative members; Article 17 clause (2) book containing the list of cooperative member can be both written and electronic documents; Article 22 about member meeting (the attendance of members in Annual Member Meeting can be conducted through representative system); and Article 43 (Cooperatives can operate their business based on sharia principle). The organization of cooperatives as mentioned in Draft Bill on Job Creation is not only limited to its institution, but it is also given access to take part in a variety of investments and job opportunities as governed in Articles 21, 37, 43, 47, 74 and 142 of Draft Bill on Job Creation.

The Change and Addition of a Law should be conducted by revoking or amending the Law, the substance of which is the same. This amendment by omnibus law will result in the amendment or the addition of other articles, recalling that the substance governed in Law is the elaboration of a system. The question arising then is "what is the legal implication of the amendment of Articles of Cooperative Law, particularly related to the membership of cooperatives, the presence of cooperatives, and the increase of the organization of sharia-based organization as governed in the Draft Bill on Job Creation?"

RESEARCH METHODS

The type of research in this paper is normative legal research. Normative legal research is a research done by reviewing the laws and regulations that apply to a specific legal issue. According to Peter Mahmud Marzuki, object in the research of law is an intrinsic legal condition, in example law as a legal system of values and social norms. The result to be achieved in the research of law is to provide prescriptions about what should be maintained, despite the amendment to some articles and the addition of its content by Draft Bill on Job Creation. According to the definition of cooperative, according to Law No.25 of 1992 about Cooperatives, cooperatives can have individual member or called primary cooperative or legal entity member called secondary cooperatives. The establishment of cooperation is conducted with the articles of incorporation containing Bylaw. The requirement of Primary Cooperative establishment is that it should be established by at least 20 persons (individuals). Thus, cooperative is an organization of people and economic corporate, or organizations of people owning corporate 8

As a legal entity, cooperatives have organizational equipments or wares. Organization wares of cooperatives, according to Law No.25 of 1992 in Chapter VI, consist of Member Meeting, Administrator, and Supervisor. Member Meeting is the holder of supreme power in cooperatives, and Member Meeting is attended by members, the organization of which is governed in Bylaw (Article 22). Member Meeting has an authority the Administrator or the Supervisor does not have. Member Meeting is authorized to stipulate (a) Bylaw; (b) public policy in organization, cooperative management, and business; (c) selection, assignment, and dismissal of administrator and supervisor; (d) platform, income and expenditure budget plan of cooperatives, and financial statement approval; e) approval of administrator’s accountability in its assignment implementation; (f) business profit sharing; and (g) cooperative merger, fusion, division, and dismissal (Article 23).

6. Peter Mahmud Marzuki, Penelitian Hukum, Kencana, Jakarta, 2005, pg 89
The board of administrators in cooperatives is selected from cooperatives members and assigned by Member Meeting (Article 29 clause 1). The authority of administrator, as the holder of Member Meeting’s Mandate, should be restricted related to which decision can be done completely by administrator, and which decision the implementation of which should be approved by Member Meeting. Administrator has duty and authority specified by Cooperative Law.

The board of administrators’ duty, according to Article 30 clause (1) includes (a) managing cooperation; (b) proposing draft platform and income and expenditure budget plan of cooperatives; (c) organizing Member Meeting; and (d) proposing financial statement and accountability report on duty completion; (c) organizing financial bookkeeping and inventorying orderly; and (f) maintaining book of member lists.

The authority of administrator, according to Article 30 clause (2), includes (a) representing the cooperative inside and outside the court; (b) deciding the admission and the declination of new members and the dismissal of members corresponding to the stipulation of Bylaw; (c) taking action and measure for Cooperative’s purpose and benefit responsibly, and Member Meeting’s decision.

Cooperative’s set of equipments is Supervisor, as governed in Article 38-40. The supervisor of Cooperative is selected from and by Member Meeting. Supervisor serves to supervise the implementation of policy and the management of Cooperative; and written report on the result of supervision. Meanwhile, the supervisor’s authority is to study the recording existing in Cooperatives and to get any necessary information.

Viewed from legal aspect, cooperative is the assembly of people established based on an agreement entered into by persons (individuals) agreeing to establish enterprise. In other words, cooperative is an alliance of people collecting capital in operating their business. The basic characteristic of cooperative is that each of members has equal voice, i.e. one voice, profit sharing is conducted fairly proportional to their own business service, and the reward of service is given limited to capital only. This characteristic is different from the legal entity in the form of Limited Incorporation, in which the member’s voice and the profit received by each of members is determined by the size of capital invested in the corporation.

Although in the definition of cooperative it is not stated firmly as legal entity, according to the law enacted in Indonesia, cooperative is a legal entity. Article 9-10 of Cooperative Law mentions that Cooperative acquires legal entity status after its articles of incorporation have been legalized by Government. The article of incorporation legalization is announced in Republic of Indonesia’s Gazette. Furthermore, Article 56 of Cooperative mentions the abolition of cooperative’s legal entity status since the date when the dismissal of Cooperatives is announced in Republic of Indonesia’s Gazette.

Legal entity, translated from rechtspersoon or legal persons or persona moralis, is a subject of law. Legal entity includes something supporting right and obligation. Importantly, in legal intercourse, legal entity has wealth (vermogen) separable fully from its members’ wealth, in the case of legal entity is corporation. Therefore, legally responsibility is also separable from personal property belong to company with legal entity.

Cooperatives, as legal entity, is an organization with wealth separable from the wealth of its members depositing principal and obligatorily savings as the capital. As a subject of law, cooperative can do lawful deed and be responsible for the law.

**Legal Implication of the amendment to the Cooperative Law by Draft Bill on Job creation**

Introduction section has described that Chapter V of Draft Bill on Job Creation governing the Facilitation of Protection and Empowerment of Micro-, Small-, and Medium-scale Enterprises and Cooperatives. The tenth section of Chapter V of Draft Bill on Job Creation specifically governs Cooperatives. There are 4 (four) Articles of Cooperative Law that will amended with Draft Bill on Job Creation, Article 6 about number of members, the explanation of Article 17, content of Article 22 about member meeting and Article 43. In addition to changing the institution of Cooperatives, the Draft Bill on Job Creation also gives the cooperative access to the participation in various investments.

In Draft Bill on Job Creation, the amendment to Law No.25 of 1992 is regulated in Article 107. The amendment includes the regulation related to the number of members founding the cooperatives, the form of cooperative member documents, the organization of Member Meeting, and Cooperative’s business opportunity.

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Draft Bill on Job Creation changes such the provision into the one stating that primary cooperation is established by at least 3 persons. This provision is a same as that offered by ILO to workers or laborers that will establish cooperatives 12.

The provision of cooperative’s establishment by three members seems to legitimize phenomena occurring in which some cooperatives are established by some of fictitious members, either during or after the establishment. During the establishment, the founders actually consisted of 2 or 3 persons, but to meet the requirement of establishment (20 persons), the founders borrow others’ identity cards. In practice, the cooperative is run and owned by 2-3 founders and members all at once 13 about members participating in the management of cooperatives. The cooperative’s equipments consist of administrator, supervisor, and member meeting. The limited number of members (3 persons), makes them filling in the 2 elements of management: administrator including chairperson, co-chairperson, secretary and treasurer, and supervisor; no members are free of position. While the administration affairs are given up to the manager as the one authorized by the administrator as mentioned in Articles 32 and 33 of Cooperatives, there should be the position of administrator remaining to be assumed by the members.

With 3 (three) members, one of members likely quits, thereby leaving only 2 (two) members, meaning that formal requirement of cooperative is not met. The scope of responsibility is limited to members of legal entity, when the formal requirement of legal-entity corporate is not met, it will lead to the personal responsibility of members of legal entity owner 14 So far, Cooperative Law does not contain the provision about legal consequence to the responsibility of members, administrators, or supervisors, if the number of cooperative members is less than 20 persons.

In legal concept of legal-entity corporate, there is no difference between alliance or active member and passive alliance. Active alliance is the one participating in the management. This differentiation of alliance or member status gives consequence to the responsibility to be assumed when the corporate suffers from loss. Nevertheless, compared with the provision of Limited Incorporation Law governing the legal responsibility of members, director, and commissioner, although they are responsible restrictively, in certain situation or condition they will be imposed with personal responsibility for the corporate loss.

Law No.25 of 1992 does not govern the legal responsibility of cooperatives members. Article 34 governs only the responsibility of administrator, in which administrator, either collectively or independently, assumes the loss suffered from by the cooperative, due to the action taken deliberately or his/her default. It means that if the loss is due to the administrator’s fault, the cooperative will be responsible for it as a legal entity.

In addition to governing the members’ responsibility, Cooperatives Law has not governed yet the Supervisor’s responsibility for the Cooperative’s loss. Supervisor as a member active in cooperative management supervision can be categorized into active alliance. Despite limited responsibility, they still have an opportunity of harming the cooperatives. The result of research on some problematic cooperatives in 2005-2008 shows that the unavailability of regulation concerning supervisor’s responsibility is instead misused to contribute to harming the cooperatives and they are exempted from the responsibility when the cooperative is insolvent 15. In relation to the responsibility of cooperative members not governed yet in Cooperatives Law, it should be governed firmly just like the shareholder’s responsibility in Limited Incorporation Law. Indeed in the concept of cooperative as legal entity, the responsibility of cooperative members mutatis mutandis is limited, but it should be confirmed in Cooperatives Law to give law certainty.

In economic concept, internal market is defined as the market between cooperatives and members and external market is that between cooperatives and non-members. However, this concept will have impact on the legal responsibility of members for the risk encountered by cooperative. Market between cooperatives and members allows the suppression of risk likely resulting from uncertainty as much as possible, while in external market - between cooperative and non-member - the risk will be assumed collectively by members, so that eventually the risk assumed by each of members will be low 16. This argument also builds on the principle of cooperative, mutual cooperation between members. Meanwhile, Munker stated that each of states governs the legal responsibility of cooperative members differently, that in principle members of cooperatives are responsible for the risk as much as the capital they invest, but if the cooperative goes bankrupt, the members should be responsible for personally 17.

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12 Henry, op.cit  p. 26
Legal implication of economic logic is that the members’ collective responsibility is the guarantee to the risk encountered by enterprise, and the guarantee of third party (non-member) entering into a legal relation with cooperative legal entity. It has been governed in Cooperative Law in 1967, but it has been revoked in the enactment of Cooperatives Law of 1992. Economic logic that all cooperative members assume the cooperative’s loss in order to relieve the burden is in contradiction with legal entity knowing the separation of legal responsibility between members or capital depositor with enterprise established.

In addition, creditor needs guarantee that cooperative can fulfill its obligation, guaranteed not only by cooperative’s wealth (property). It will be a constraint for the cooperative to enter into legal relation with the third party. Therefore, to attract and to guarantee the third party in their relationship with cooperative needs the presence of individual responsibility feasibly in addition to the responsibility of cooperative legal entity itself. It means there should be a regulation firmly governing the amendment to Cooperative Law in relation to how the individual responsibility arises and who the one is responsible to the third party, if the cooperative’s wealth is not sufficient to meet its obligation to the third party.

However, there is a different view on the members’ obligation that cooperative members have limited responsibility. They use sociological reason that cooperative members are imposed with limited responsibility because cooperative is side job or secondary activity to their members’ primary economic activity. Therefore, it is inappropriate that such members should responsible for the risk encountered by cooperative. In addition, there should be a limited responsibility regulation to increase the passive alliance’s investment in the risky company, particularly in which the investors cannot monitor the management activity inadequately. In the context of corporate law enacted in Indonesia, there is a separation of property and responsibility between members and legal entity established, members or owners have limited responsibility for the company’s loss, in which members of cooperatives are responsible for only as much as the principal and obligatorily savings deposited to the cooperatives.

Turning to the amendment to the Article 22 of Cooperative Law related to the attendance of members in member meeting, Draft Bill on Job Creation adds 2 clauses to Article 22: clause (2) “Member Meeting is attended by members” and clause (3) “the attendance of members as intended in clause (2) can be conducted through representative system”. Representative System in Member Meeting as intended in this Draft Bill on Job Creation is not a group system as intended in Article 4 clause (5) of Minister of Cooperative and Small- and Medium-Scale Enterprise’s Regulation No.19 of 2015 about the Organization of Member Meeting. Group System of Member Meeting is held for the cooperative the member number of which is large. The representative system intended in clause (3) of Draft Bill on Job Creation is the representation of members to attend the Member Meeting. Academic Text of Draft Bill on Job Creation contains argument about the attendance of members in Member Meeting that can be done with representative system in order to make decision easily with an excuse that the requirement of member attendance in member meeting inhibits the organization of Member Meeting.

The provision of attendance representative system in this Member Meeting is similar to that of Shareholder General Meeting in Law No. 40 of 2007 about Limited Incorporation (PT). However, Limited Incorporation Law governs clearly who can or cannot represent the members of cooperative in Member Meeting. Therefore, Article 22 clause (3) of Draft Bill on Job Creation has implication to the provision about Representative System of Member Meeting in Cooperatives Law.

Still in relation to the provision of representative system in Member Meeting, the argument included into Academic Text of Draft Bill is actually too narrow, and does not explore the problem and the resource comprehensively. Actually, the Draft Bill on Job Creation amending Article 22 of Cooperative Law can govern the organization of member meeting using communication technology, teleconference, as governed in Limited Incorporation Law. Moreover, in communication technology communication era, the virtual attendance of members is not expensive. The reason compiled in this academic text is in contradiction with the reason aforementioned there is an easiness of cooperative establishment to accommodate millennial generation’s business.

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Another attempt taken by government to encourage the development of cooperative in Draft Bill of Job Creation is to give the cooperative an opportunity in any businesses, such as electricity procurement, sea utilization, forest utilization (involved by BUMN/BUMD or State-/Local Government-Owned Enterprises), trading, investment, involved in special economic region (either as preexisting business performer or company supporter). This strategy will encourage cooperative to be not only internal market- but also external market-oriented.

The addition of Article 43 clause (4) to Cooperative Law stating that cooperatives can run business based on sharia-based principle. So far, government has issued Minister of Cooperative and Small- and Medium-scale enterprise Regulation (Permenkop_UKM) No. 16/Per/M.KUKM/IX/2015 about the Implementation of Save-Loan Business Activity and Sharia-Based Financing by Cooperative. The Minister’s Regulation has governed its institution and business, despite still limited to save-loan cooperative. In addition, although Permenkop_UKM governs cooperative institution undertaking sharia, it has not governed yet the legal responsibility of members, administrators, and supervisors.

CONCLUSION

The amendment to Articles 6, 22, and 43 of Cooperatives Law in Draft Bill on Job Creation will have implication to the change of articles governing clearly the members’ responsibility for the corporate loss, the administrator and the supervisor’s responsibility when the cooperative suffers from loss; some articles should also be added concerning quorum (governed independently by Permen Koperasi dan UKM so far) in Cooperative Law. This measure should be taken to give law certainty to cooperative business performer and third party having legal relation to the cooperative. Similarly, the cooperative implementing sharia principle should also be governed in Cooperative Law, recalling that this cooperative’s character is different from conventional cooperative.

SUGGESTION

Draft Bill on Job Creation changing and adding the content of Cooperative Law should be followed with the change of Cooperative Law’s content. Cooperative as a legal-entity enterprise should govern clearly the responsibility of members, administrator, and supervisor for the corporate debt, thus the responsibility for loss is imposed not only to the administrator as governed in Article 34, but also the articles governing the supervisor should be added, concerning its responsibility for the loss of cooperative corporate. In addition, in industrial era 4.0, in which technology and communication should be used in organizing member meeting; thus the decision can be made appropriately. When the provision of Member Meeting about the organization of member meeting through teleconference can be added to Article 22, the representative system should unnecessarily be governed in Cooperative Law.

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