

Challenges and Opportunities: Central and Regional Government Relations in the Digital Era

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Abstract

This study will look at the impact of regulatory changes on freelancers in Indonesia's gig economy. The gig economy, which is characterized by an expanding number of freelancers, presents new issues for labor law. This study uses a qualitative and quantitative approach to identify key challenges faced by freelancers, such as legal uncertainty, limited access to social security, a lack of legal protection against exploitation, difficulties in accessing training and skill development, financial and tax management challenges, and a lack of representation in policy formation. The research findings indicate that current regulations do not adequately address the demands of freelancers, and that more inclusive and equitable regulatory reforms are required. These findings highlight the importance of establishing a clear legal framework, strengthening supervision and enforcement, providing affordable social security, improving access to financial training and education, and increasing freelancer representation in policy formation. Strategic proposals for addressing these difficulties include amending labor regulations, offering social security subsidies or incentives, implementing certified training programs, and raising mental health awareness. With proper implementation, it is envisaged that freelancers' working conditions and welfare in Indonesia will improve, promoting the gig economy's long-term growth and inclusivity. This study provides vital insights for policymakers, employers, and freelancers themselves, and contributes to the literature on labor legislation in the gig economy.

Keywords: Central Government, Regional Government, Digital Era, Challenges, Opportunities, Digital Transformation.

Introduction

The 1945 Constitution of the Republic of Indonesia, Article 18 paragraph 1, regulates the division of the Unitary State of the Republic of Indonesia (NKRI) into provinces, which are further divided into regencies and cities. Each level of regional government—province, regency, and city—has the authority to administer its regional government as stipulated by law (Ridwansyah, 2017). Article 18 paragraph 2 further affirms that provincial, regency, and city governments have the right to regulate and manage governmental affairs in accordance with the principles of autonomy and co-administration. This reflects the provision of broad autonomy to regions in managing specific matters, while matters defined by law as central

government authority remain under the jurisdiction of the central government (Asnawi & Andrizal, 2021).

The principle of regional autonomy applied in Indonesia is the principle of the broadest possible autonomy. This means that regional governments are granted the authority to regulate and manage various governmental matters not included in those designated as central government authority (Adhyaksa & Akhmaddhian, 2015). This aligns with the spirit of decentralization as outlined in Law Number 23 of 2014 concerning Regional Government. This law explains the process of transferring authority from the central government to autonomous regions. Decentralization is not only a component of the NKRI system but also a legal mandate that must be followed by regional governments (Huroiroh & Fauzi, 2022).

Through the implementation of decentralization, regional governments are expected to increase their independence in managing governmental affairs according to the characteristics, needs, and potential of each region (Christia & Ispriyarso, 2019). With the authority to make policies, regional governments play a strategic role in delivering public services that are more effective and responsive to local community needs (Silalahi & Syafri, 2015). One of the main objectives of decentralization is to enhance public participation in the governance process and empower communities, which will ultimately contribute to improving public welfare (Sandiasa & Agustina, 2018).

Regional governments are also granted the right to establish regional regulations (*perda*) and other policies as instruments for implementing autonomy and co-administration duties within their jurisdiction. This allows regional leaders to formulate policies that align with the specific conditions and needs of their respective regions (Barlian, 2016). Thus, regional autonomy is not merely limited to administrative authority, but also serves as a tool for regional governments to optimize resource management and improve public service quality based on democratic principles and good governance (Kuswandi, 2011).

The digital revolution in recent decades has significantly impacted various sectors, including the government sector. Information and communication technology (ICT) has become a major force influencing how central and regional governments perform their duties and functions (Pangandaheng et al., 2022). The digital era presents opportunities to improve efficiency, transparency, and accountability in governance. However, despite its great potential, digitalization also brings challenges—particularly for regions still facing gaps in infrastructure and the human resources necessary to maximize the use of technology (Setyasih, 2022).

The relationship between central and regional governments in Indonesia has undergone significant changes since the implementation of decentralization policies in the early 2000s. Decentralization has granted greater authority to regional governments to manage their local affairs, while still operating within the framework of a unitary state (Hariyanto, 2020). In this context, digital technology can serve as a tool to strengthen this relationship by facilitating better coordination, enhancing transparency, and optimizing public service delivery (Simandjuntak, 2015).

However, despite the many positive potentials offered by the digital era, several major challenges remain. The digital infrastructure gap between central and regional areas is one of the primary obstacles (Fuady, 2018). While larger and wealthier cities can more easily adopt digital technologies, many other regions still lack access to high-speed internet and the technological tools necessary for government digitalization. Furthermore, the varying levels of digital literacy and skills exacerbate this gap (Anita & Astuti, 2022).

The objective of this study is to identify the challenges faced by central and regional governments in navigating the digital era, and to explore the opportunities available to strengthen their relationship through technology. This research also aims to provide strategic recommendations for both parties to optimize the use of digital technology in order to improve

public service quality and governance effectiveness. Accordingly, this study is expected to contribute positively to the development of more adaptive and responsive government policies in the face of changing times.

This research is expected to offer both academic and practical benefits. Academically, it aims to enrich the discourse on the relationship between central and regional governments in the context of digital government. Practically, the study may offer insights to policymakers at both the central and regional levels on the importance of improving coordination, collaboration, and digital capacity building, as well as how technology can be leveraged to address governance challenges

Methods

This study uses a descriptive qualitative approach to explore the challenges and opportunities in the relationship between central and regional governments in the digital era. Data sources consist of primary data obtained through in-depth interviews with central and regional government officials involved in digitalization policies, as well as secondary data collected through literature studies, official documents, and related reports. Data collection was carried out through interviews, literature studies, and documentation to obtain more comprehensive information (Sugiyono, 2016). Data analysis will be carried out using thematic analysis by grouping data into relevant themes and interpreting them based on findings in the field. This study aims to describe the challenges and opportunities in the implementation of government digitalization and the synergy between the central and regional governments. To ensure data validity, this study uses triangulation, comparing data from interviews, literature, and documentation. This research will be conducted in several regions that have implemented government digitalization policies and is planned to last for six months, from January to June 2025. The results of the study are expected to provide in-depth insight into the dynamics of the relationship between the central and regional governments in facing the digital era.

Results and Discussion

Challenges and Opportunities in the Relationship Between Central and Regional Governments in the Digital Era

Challenges:

1. Digital Infrastructure Gap

The disparity in digital infrastructure is one of the main challenges faced in the implementation of technology in Indonesia, especially in rural and remote areas. Unequal access to the internet between urban and rural regions hinders the equitable development of digital initiatives. In many of these areas, technological infrastructure such as fast and stable internet networks is not yet fully available, thus limiting the ability of regional governments to implement effective digital systems. This also results in disparities in public services, where people in certain regions cannot access the digital services provided by the government.

In addition, the lack of adequate digital infrastructure also hampers the development of various applications that could enhance administrative efficiency in government, such as electronic-based government systems, electronic procurement systems, and other technology-based public services. Regional governments that struggle to build digital infrastructure not only face challenges in serving the public but also in creating an environment that supports digital economic growth and transparent, accountable governance.

2. Cybersecurity

Cyber threats are a serious challenge faced by both the central and regional governments in carrying out digitalization programs. Attacks such as malicious software, data hijacking, and fraudulent messages are becoming increasingly sophisticated, targeting government systems and critical data. Data owned by the government, such as citizens' personal information, official documents, and other critical information, becomes an easy target for irresponsible parties. Cyberattacks can cause data breaches that harm the public and create distrust in the government's ability to manage information.

Moreover, the limitations in cybersecurity systems and the absence of strict data protection policies worsen the situation. Many regional governments do not yet have adequate cybersecurity infrastructure, making them vulnerable to attacks. Therefore, the government must adopt stricter policies regarding data protection and improve awareness and capabilities in the field of cybersecurity to protect essential data and infrastructure from cyber threats.

3. Digital Inequality

Digital inequality includes the gaps in access, understanding, and capability of the community in utilizing digital technology. Many regions, especially those located in remote areas, face limitations in access to adequate digital devices or stable internet networks. Furthermore, the lack of public understanding of how to use digital technology also becomes a barrier, leading some segments of the population to fall behind in utilizing the digital services provided by the government.

Additionally, inequality in the ability to manage data and technology among regional governments is another challenge. Some regional governments do not have sufficiently trained human resources to manage the increasingly sophisticated digital applications. This makes it difficult to implement digital programs that are expected to improve public services and administrative efficiency. Such inequality hampers the equal distribution of the benefits of digital technology for all levels of society.

4. Limited Human Resources

The lack of human resources with adequate digital skills is a major challenge in implementing various digital programs in government. Many civil servants at the regional level are still undertrained in information and communication technology. This hinders the operational efficiency of regional governance, which is increasingly dependent on digital technology. Without competent human resources in the field of technology, digitalization

programs such as electronic-based governance or technology-based public service systems are difficult to implement optimally.

The lack of training and development in digital skills for government officials also hampers innovation in the administration of government. Regional governments need to develop strategies to enhance human resource capabilities in digital transformation by organizing training and relevant education programs. This will ensure that existing human resources can support the desired digital transformation and maximize the potential of technology to improve the quality of public services.

5. The Spread of Hoaxes and Disinformation

The spread of false information and disinformation has become a serious challenge in the digital era, particularly regarding government policies and public services. With technological advancements and the increasing use of social media, inaccurate information can spread quickly and influence public opinion. Circulating hoaxes can lead to public misunderstandings, reduce trust in the government, and damage social stability. This poses a threat to the democratization process and could exacerbate social tensions within society.

To address this issue, the government needs to strengthen efforts to provide digital literacy education to the public and ensure the availability of clear and accurate communication channels concerning government policies and programs. Furthermore, collaboration between the government and social media platforms is crucial to identify and minimize the spread of misinformation. Tackling hoaxes and disinformation requires synergy among various stakeholders, including the media, the public, and the government, in order to establish valid and accountable information.

Opportunities:

1. Improved Efficiency and Government Transparency

The implementation of e-government and digital platforms holds great potential for enhancing efficiency in public services and government budget management. By digitizing administrative processes—such as licensing applications, social aid requests, and government document management—previously time-consuming and costly procedures can be streamlined. Technology enables systems that are faster, more accurate, and integrated. Additionally, digital-based systems make budget management more transparent and easier for the public to monitor. Budget reports, fund allocations, and the use of government resources can be accessed online, increasing public accountability and reducing the potential for budget misuse.

Besides improving efficiency, e-government can reduce operational costs for the government. With digital systems, there's no longer a need for large expenses on managing physical archives and complex logistics. Better transparency can also increase public trust in the government, as citizens are able to observe government operations more openly. Therefore, the application of technology in governance not only optimizes administrative processes but also strengthens good governance principles, with efficiency and accountability as top priorities.

2. Better Public Services

Digital-based public services present significant opportunities for citizens to access various government services more easily, efficiently, and quickly. Processes such as online licensing, tax payments, healthcare registration, and online consultations, which previously required lengthy and complex procedures, can now be completed more conveniently through government apps or websites. These digital services save time and effort for citizens, reduce queues and crowding at government offices, and in turn lower government operational costs.

Furthermore, digital public services increase convenience, especially for people in remote areas or those with limited mobility. With digital platforms, people can access services without having to visit government offices in person. This speeds up service delivery and allows

citizens to receive faster results without geographical barriers. Technology not only enhances efficiency but also builds public trust by simplifying access to services and facilitating monitoring and evaluation of the services provided.

3. Increased Public Participation

Digital technology creates greater opportunities for public involvement in decision-making processes that were previously limited to certain groups. Digital platforms can host discussion forums, online polls, and government oversight systems that allow citizens to directly voice their opinions on policies. Through social media, web-based apps, and other online portals, the public can express aspirations, engage in social dialogue, and provide structured, efficient feedback to the government.

By enabling public participation in policymaking, digital technology helps governments respond more effectively to community needs. Citizens can more easily access policy-related information and provide feedback that helps the government develop more targeted and relevant policies. This fosters a more transparent and accountable relationship between government and citizens and strengthens active civic engagement in national development.

4. Development of the Digital Economy

The use of digital technology provides major opportunities for regional economic development, especially by empowering small and medium-sized enterprises (SMEs). Through digital platforms, SMEs can expand their markets beyond local reach to global audiences. Digitalization simplifies product marketing, facilitates online transactions, and allows SMEs to showcase their products via social media, e-commerce, and other digital platforms. This increases the visibility of local products, boosts income, and creates new job opportunities.

In addition, improving digital skills among the population is vital to fostering the digital economy. Training and education in information technology can enhance citizens' ability to use digital tools such as online marketing, data analysis, and digital business management. Thus,

empowering the digital economy benefits not only the business sector but also the broader public by improving livelihoods and creating new entrepreneurial opportunities.

5. Innovation and Policy Development

Digital technology is a powerful tool for data collection and trend analysis that supports the development of more innovative and evidence-based policies. Governments can use big data systems and artificial intelligence to analyze patterns and trends across sectors such as health, education, and the economy. This provides more accurate and relevant insights for policymakers in designing programs and policies that better meet the needs of society. Technology also simplifies policy planning and evaluation processes.

Moreover, digital technology allows for more integrated and data-driven policies, enabling more effective monitoring and responsiveness to changes in social and economic dynamics. This leads to faster, more accurate decisions aligned with current conditions. It also supports the creation of more flexible policies that can quickly adapt to technological and societal developments.

6. Strengthening Regional Autonomy

Digital technology offers significant potential to strengthen regional autonomy in managing local affairs. With digital information systems, local governments can more effectively manage and monitor sectors such as health, education, infrastructure, and public services. Technology facilitates more accurate data collection and real-time monitoring, which is crucial for making data-driven decisions. This enhances the capacity of local governments to independently and effectively manage local policies.

Additionally, digital technology improves collaboration between central and regional governments. Integrated systems enhance communication across government levels, allowing for quicker policy implementation and better alignment with local needs. It helps regions develop development programs tailored to their unique potential and needs while increasing

responsiveness to local aspirations. As such, digital technology strengthens regional autonomy in achieving more inclusive and sustainable development goals.

Strategies for Creating Synergy Between Central and Regional Governments in the Context of Government Digitalization

1. Integration of Central and Regional Digital Systems

In the context of government digitalization, integrating digital systems between the central and regional governments is key to creating efficient, transparent, and responsive public services. One strategic step is to build a unified digital platform that both parties can use collaboratively. This platform allows for data coordination, program synchronization, and more effective and real-time government performance monitoring. With interconnected systems, central policies can be implemented more precisely at the regional level.

Additionally, aligning information system architecture is crucial to achieving interoperability between agencies. Interoperability enables the automatic and consistent exchange of data and information across institutions and regions. Without system alignment, central and regional governments tend to build siloed applications or systems, which can lead to data duplication, budget inefficiencies, and coordination barriers. Therefore, national technical standards and policies are needed, adaptable to each region's specific needs.

Equally important is the equitable distribution of technological infrastructure as the foundation of digital services. The central government must ensure that all regions, including underdeveloped areas, have sufficient access to internet networks, hardware, and other technological resources. Without equitable infrastructure, digital integration will be difficult to achieve, as some areas lack the technical capacity to operate digital systems effectively. Thus, investment in digital infrastructure should be a top priority to strengthen synergy between central and regional governments.

2. Standardization of Regulations and Technical Guidelines

A strategic step to create digital synergy between central and regional governments is the standardization of regulations governing the management of government digital systems. The central government must develop comprehensive national regulations as a legal foundation for digital governance. These regulations should cover data security, system interoperability, information access rights, and digital transformation procedures to be followed by each region. With a strong legal umbrella, the digitalization process will proceed more orderly and directionally, and policy overlaps across regions can be avoided.

In addition to regulations, the central government must also set technical guidelines as a reference for implementing digital transformation at the regional level. These guidelines should be flexible and adaptive to suit each region's capacity, needs, and characteristics. This approach allows regions to carry out local innovations without ignoring the nationally established technical standards. For instance, in terms of data management, cybersecurity, or digital public service applications, regions can innovate while staying within clear and standardized technical parameters.

Standardization also ensures that all regions have uniform references in developing their digital systems, creating continuity between central policies and field implementation. With consistent standards, data integration, inter-regional collaboration, and performance monitoring by the central government become more feasible and accurate. Moreover, such uniformity can reduce digital disparities between regions and accelerate the achievement of national targets for inclusive and equitable digital government transformation across Indonesia.

3. Enhancing Digital Human Resource Capacity

Digital government transformation cannot be effectively implemented without human resources (HR) possessing adequate digital competencies. Therefore, enhancing HR capacity is a strategic action that must be carried out systematically and continuously. Central and regional

governments need to provide various training programs, technical guidance, and digital certification for civil servants (ASN). Training may include basic IT knowledge, data management, cybersecurity, and the use of digital public service applications. This ensures that civil servants have the necessary skills to meet the demands of the digital era.

Moreover, regional governments should be encouraged to establish dedicated units responsible for digitalization, such as digital task forces or digital transformation teams. These teams are tasked with designing, implementing, and evaluating digital programs within regional governments. Their presence will accelerate technology adoption, drive innovation in public services, and serve as effective liaisons between central and regional governments regarding digital policy. These units also create specialization and leadership in technology within the bureaucracy.

To optimize digital HR development, partnerships between the government, universities, training institutions, and the private sector are necessary. Through such collaborations, civil servants can access up-to-date training materials, obtain professional certifications, and gain practical experience from the tech industry. This partnership approach will strengthen the national digital ecosystem, ensure that government HR is not left behind by technological developments, and create an adaptive and competent bureaucracy to support Indonesia's digital transformation.

4. Strengthening Digital Communication and Collaboration

In the digital era, communication and collaboration between central and regional governments must be more open, fast, and efficient. A key strategy is forming online communication forums that are routine and interactive. These forums can include virtual meetings, online discussion groups, or digital collaboration platforms that enable real-time information exchange between ministries/central agencies and regional offices. Such forums

help quickly identify and resolve policy implementation issues in the regions and build strong synergy in formulating and implementing national and regional strategic programs.

Additionally, developing a shared dashboard accessible by both central and regional authorities in real-time is crucial for ensuring data integration and transparent performance monitoring. This dashboard acts as a tool for integrated supervision and reporting on program implementation, performance indicators, and budget absorption. With accurate and informative data visualization, leaders at both levels can make faster, evidence-based decisions and promote stronger public accountability.

This strategy should also be supported by fostering a collaborative and data-driven work culture. Governments must encourage the habitual use of technology in cross-agency and inter-regional work, moving away from rigid bureaucratic approaches. Inter-regional collaboration, exchange of best practices, and system alignment between institutions should become part of routine digital work processes. Thus, strengthening digital communication and collaboration not only accelerates technical coordination but also enhances institutional capacity to realize more adaptive, responsive, and transparent governance across Indonesia.

5. Budget Support and Incentives

Digital transformation in the government sector, especially at the regional level, requires adequate and well-planned budget support. The central government needs to allocate specific funding for strengthening information technology infrastructure, developing digital service systems, and enhancing human resource capacity in the regions. Without proportional and sustainable budget allocation, digitalization efforts will face many obstacles, particularly in fiscally dependent regions. Therefore, budget support is a fundamental pillar to ensure regional readiness in effectively adopting technology.

In addition to routine budgets, the central government should implement an incentive scheme for regions that demonstrate innovation and success in applying digital technology to

public services. Incentives can take the form of additional funds, awards, or access to strategic national programs. These rewards encourage regions to innovate, develop efficient systems, and increase public participation through more accessible and open digital services. This approach fosters healthy competition among regions in digital service innovation.

Furthermore, central government support can be channeled through special transfer funds aimed at accelerating public service digitalization. These funds can be used to finance regional data centers, population information systems, digital licensing services, and application-based public complaint systems. With this scheme, regions not only receive financial support but also strategic direction in designing sustainable digital policies. The synergy between budget support, incentives, and transfer funds becomes a key element in promoting inclusive and equitable digital transformation throughout Indonesia.

Conclusion

In the digital era, the relationship between central and regional governments faces various challenges while also offering significant opportunities to improve governance. Challenges such as digital infrastructure gaps, limited human resources, and cybersecurity threats require systematic and collaborative strategies. Unequal access to technology and disparities in regional capacities highlight the need for an inclusive approach to ensure digitalization does not widen inequality. On the other hand, significant opportunities arise through the implementation of e-government, improved public service efficiency, strengthened public participation, and the growth of regional digital economies. To address these challenges and maximize the opportunities, synergy between central and regional governments is essential through various strategies. These include digital system integration, regulatory standardization, the enhancement of digital human resource capacity, strengthened collaboration, and budgetary support and incentives. The central government plays a crucial role in providing frameworks and facilitation, while regional governments serve as the frontlines of implementation. With an

integrated, adaptive, and service-oriented approach, government digitalization can become a driving force for improving service quality and the welfare of communities across all regions of Indonesia.

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