

International Webinar “Social Protection in the Face of Digitalization and Economic Uncertainties”



Impact of COVID-19 on Employment: **Designing Indonesia's Economic Recovery Strategy**

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“ How the pandemic has impacted
Indonesia’s Employment and
Economy? ”

Negative growth increases unemployment rate

- We are able to lower the unemployment rate from 7.07% in August 2020 to 6.49% in August 2021. However, it is still higher than August 2019 (5.23%).
- In our case, workers most affected by the pandemic are those who work in urban areas, at service sectors, and in informal employment (Gibson et.al., 2020).
- Employment in agriculture becomes alternative (Rahman et al, 2020).
- The pandemic has increased informalization of the economy (SMERU, 2021).

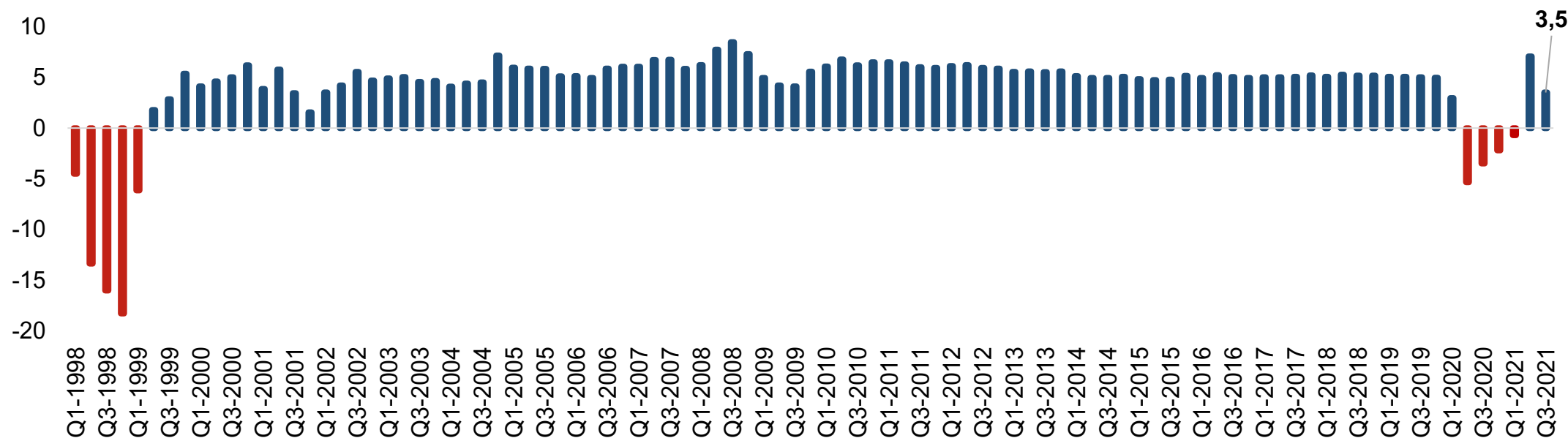
Economic Growth and Unemployment Rate (2019-2021)



Source: BPS

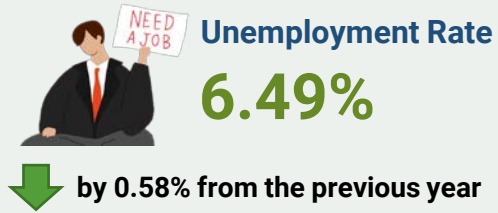
Handling of the COVID-19 Pandemic is Essential for Economic Growth

Indonesia Economic Growth
(percent, yoy)

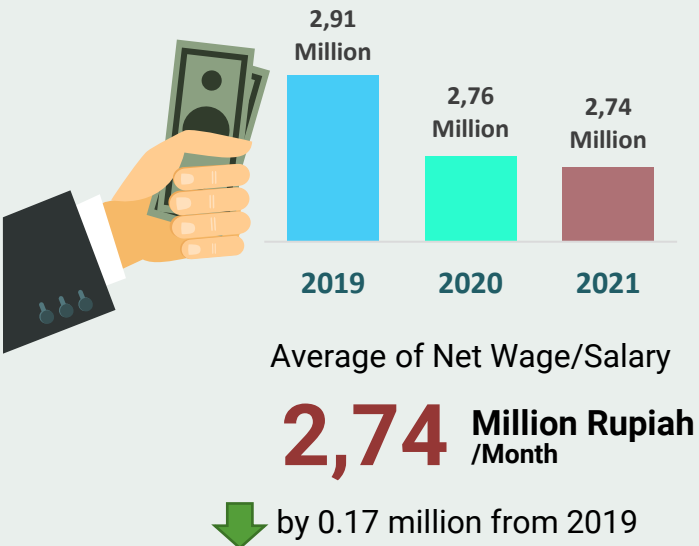
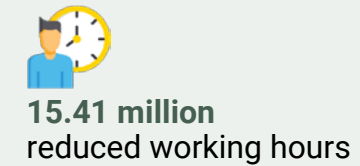


- **The Indonesian Economy contracted in 2020 (-2.07%) and Q1 2021 (-0.74%), for the first time since the 1998 crisis.** However, Indonesia's economic development improved in the Q2 and Q3 with growth of 7.07% and 3.51% (yoy) respectively.
- **Indonesia exits recession in second quarter of 2021.** GDP rebounded sharply with strong domestic demand. This recovery was mainly driven by the low base effect and the increase of community activity. All sectors experienced positive growth.

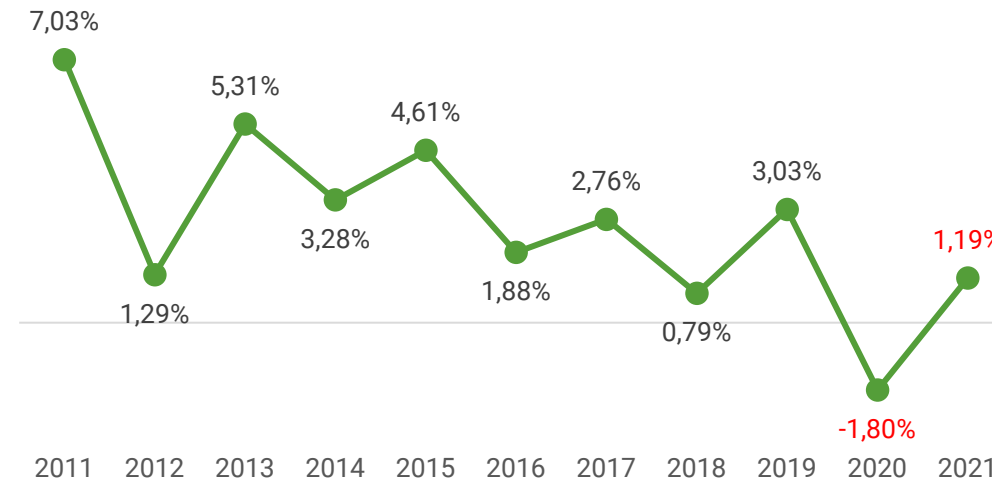
COVID-19 Pandemic Impact on Workforce 2021



21.32 million (10.32%) of total working age population (206.71 million) are affected by COVID-19 pandemic.



Productivity Growth



COVID19 not only causes a decline in economic growth and increases unemployment, but also **reduces productivity.**

Source :

1. BPS, Sakernas & Berita Resmi Statistik August 2021
2. BPS, GDP ADHK series 2010 Tw1-Tw3

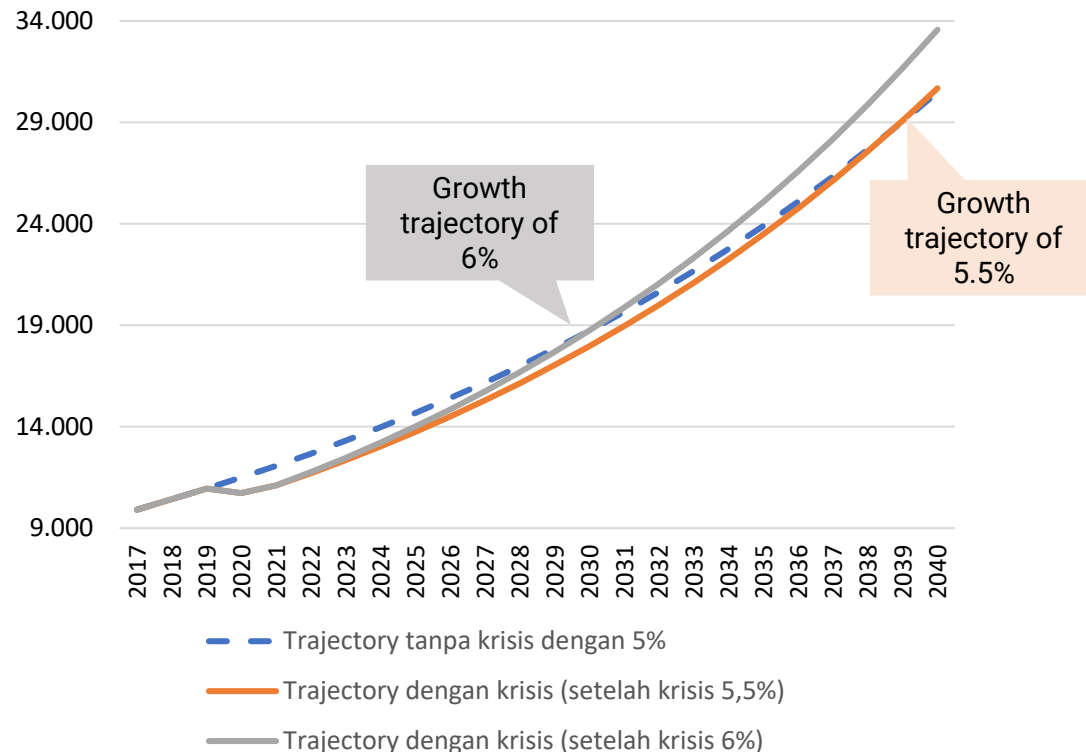


“What is the Government’s Policy Strategy for mitigating the impact of the pandemic?”

2022 is a milestone to get Indonesia's economic growth back on track

With an average growth rate of **6%** from 2022, Indonesia will return to its GDP growth trajectory in **2029**.

Trajectory of Indonesia's Economic Growth 2017–2029 (without and with COVID-19 pandemic)



2022 is expected to be the first year of relief from pandemic pressure.
It will be the key year for economic recovery.

Indonesia's economic transformation needs to be redesigned to achieve 6% economic growth.



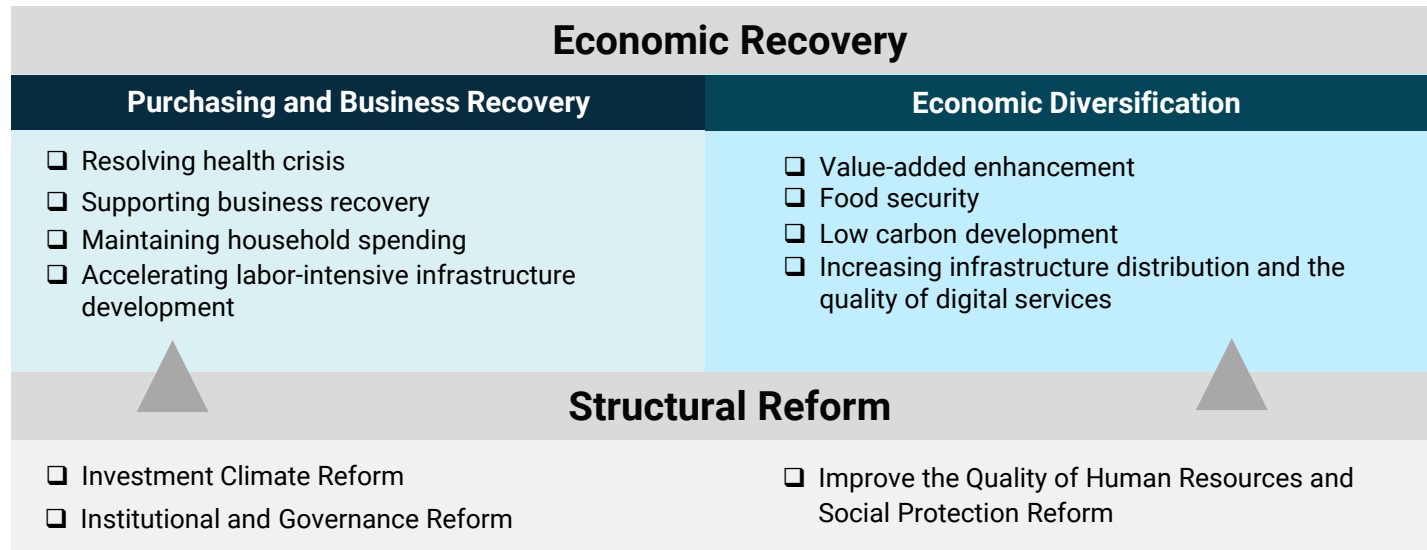
Our challenge is **not only economic recovery**, but also **medium- to long-term economic transformation**, and we must start now.

Economic Transformation:

1. Economic restructuring from the low-productivity sector to the high-productivity sector;
2. Improving sectoral productivity.

Development Priorities for 2022

2022 Annual Development Plan Theme: **"Economic Recovery and Structural Reform"**



Indonesia Economic Transformation

6 Strategies of Indonesia's Economic Transformation (Medium-Long Term)

1. Digital Transformation
2. Competitive Human Resources
3. Green Economy
4. Domestic Economic Integration
5. Increased Productivity of Economic Sectors
6. National Capital Relocation

2022 National Development Targets



Economic Growth (%)
5.2–5.5



Unemployment Rate (%)
5.5–6.3



Gini Ratio (value)
0.376–0.378



Human Development Index (value)
73.41–73.46



Reduction in Greenhouse Gas Emissions (%)
26.87



Poverty Rate (%)
8.5–9.0

Other Indicators:



Farmer Exchange Rate/NTP (value)
103–105



Fisherman Exchange Rate/NTN (nilai)
104–106

Employment Policies to Support the Economic Recovery Process



Restoring the economy for job creation

Maintain consumption through accelerating and strengthening subsidy and social assistance for the poor and vulnerable, as well as expanding consumption stimulus

Encourage investment through tax and custom duty incentive, relaxation of financing requirements for MSMEs

Support export-import activity through improving and accelerating export-import services

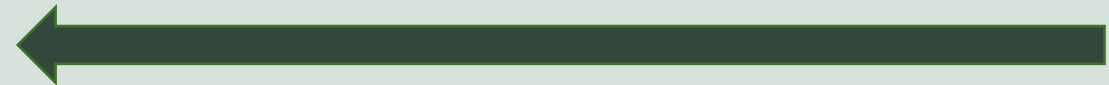


Creating a productive and quality workforce

Social Protection System Reform

Development of a credible labor market information system as a basis for labor policy interventions

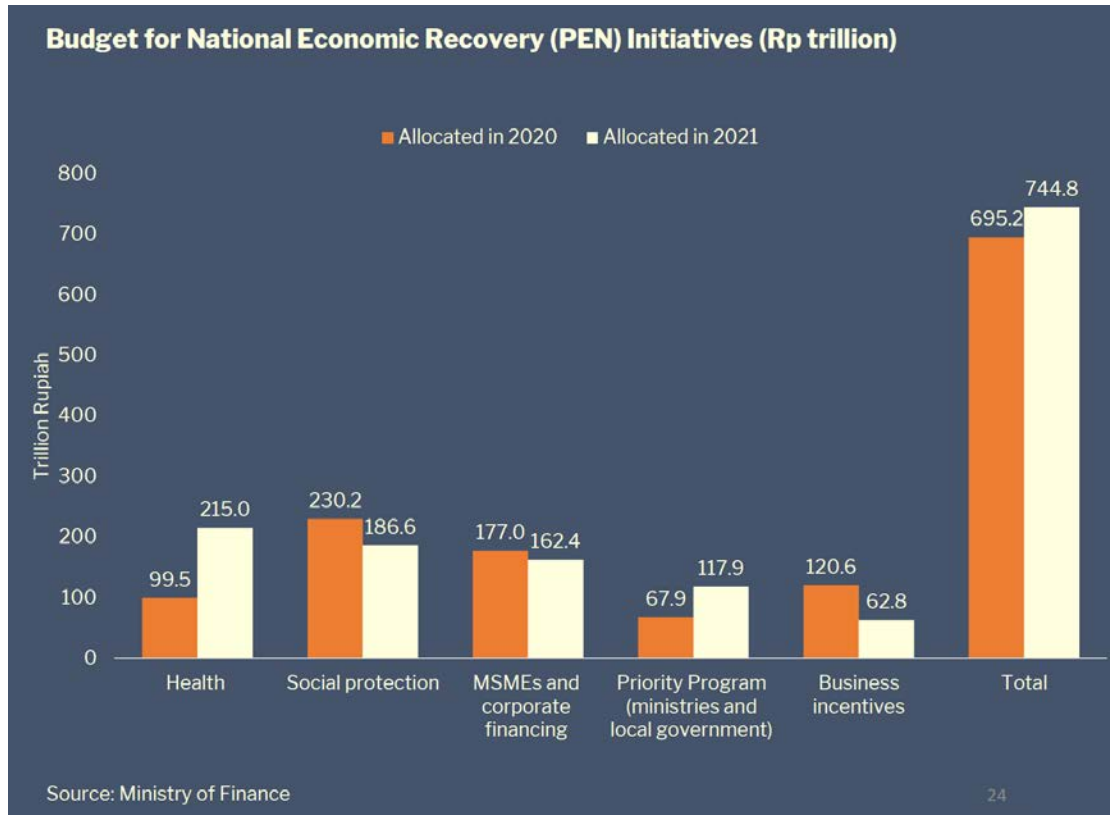
Vocational Education and Training System Reform



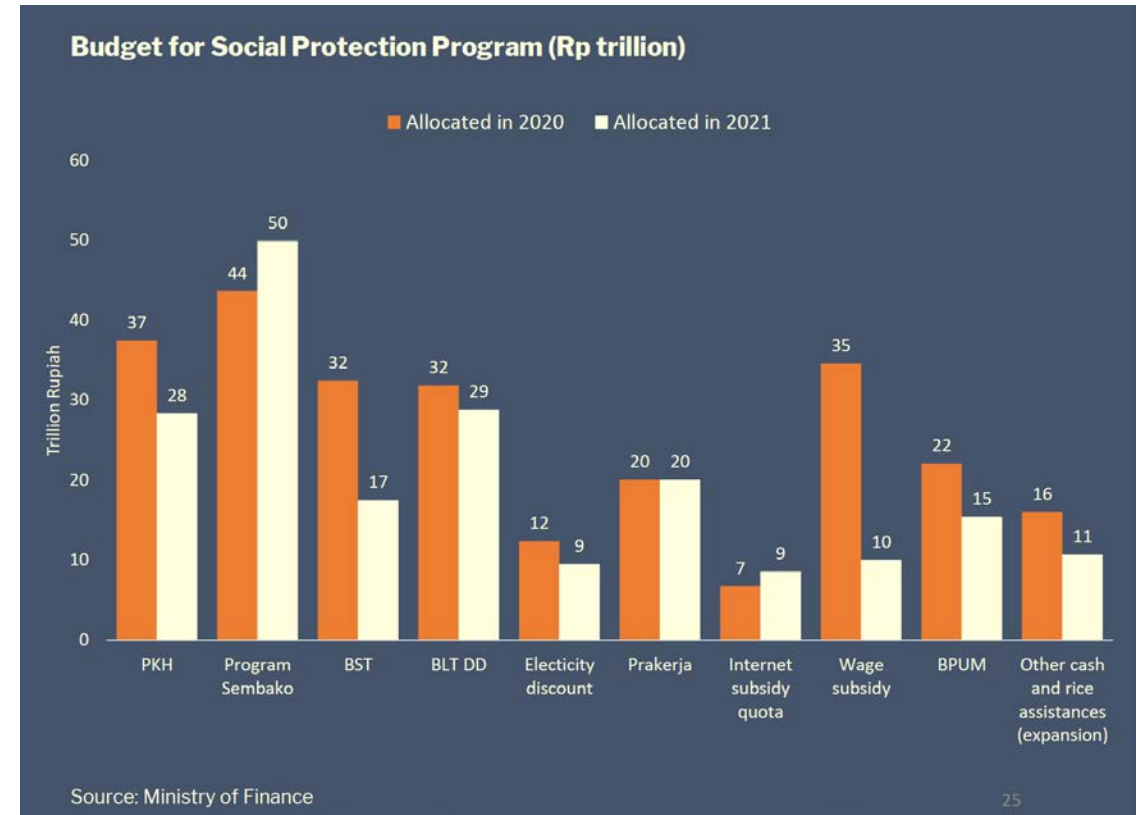


“What role does social protection play in protecting people impacted by the pandemic?”

Social protection programs are key programs to mitigate the impact of the pandemic



2021 budget for social protection programs decreased compared to 2020.



Types of social protection programs in 2021 are similar to 2020.

Social Security Programs to Respond the Impact of Covid-19

Contribution Assistance, Relaxation of Contribution Arrears and JKN Service Penalty

Regulated in Presidential Regulation (PP) No. 64/2020 concerning the Second Amendment to Presidential Regulation No. 82/2018 concerning Health Insurance



Contribution assistance in the amount of Rp3 trillion for Non-Wage Recipient Workers (PBPU) and Not a Worker (BP) in class 3. (throughout 2020)



Arrears have been relaxed in the Non-Wage Recipient Workers (PBPU) and Wage Recipient Workers (PPU), with arrears only needing to be paid off for 6 months from the original having to pay contributions for a maximum of 24 months.



A fine of 2.5% from the original 5% for each advanced inpatient health service obtained after active participation has returned.

Relaxation of Contribution and Arrears of Employment Social Security Program



Contributions to Work Accident Insurance (JKK) and Death Insurance (JKM) are reduced by only **paying 1%**.



Payment postponement of Pension Insurance (JP) contributions: Members required to **pay 1%-30%** and the remaining 70%-99% is **postponed**.



Penalty reduction due to late payment of JKK, JKM, JHT & JP program contributions from 2% to 0,5%



Contribution payment period is extended from the 15th to the 30th of the following month.



Valid for 6 months from the date of contribution, from August 2020 to January 2021.

Wage Subsidy

Potential Recipients of Wage Subsidy



**Employer/Active
Business Entity**

1,228,183



Active Workforce

15,725,372 (54,4%)

	Recipient	Value	Realization
Batch 1 26 August 2020	2.5 million	Rp3 trillion	2.4 million recipients 99.38%
Batch 2 4 September 2020	3 million	Rp3.6 trillion	2.9 million recipients 99.38%
Batch 3 15 September 2020	3.5 million	Rp4.2 trillion	3,4 million recipients 99.32%
Batch 4 23 September 2020	2.8 million	Rp3.36 trillion	1.8 million recipients 69.18%
Batch 5 29 September 2020	578,230	Rp693.8 million	(in the process)
Batch 6 30 September 2020	40,358	Rp48.4 million	(in the process)



Total Data Received
12,418,588



Total Budget
Rp14,884,675,200,000

Pre-Employment Card Program (Kartu Prakerja)



The Pre-Employment Card is a skills development program in the form of cash benefits for job seekers, laid-off workers, or workers who need to improve their skills.



By Batch 22, the cumulative number of recipients exceeded 11.44 million. Incentives of Rp13.39 trillion were distributed in 2020 and Rp11.7 trillion in 2021.

2020

2021

Registration

78 million

Pendaftar di situs Kartu Prakerja
dari SEMUA Kabupaten dan Kota

34

Provinces

514

District/City

Recipient

5,509,055

Recipients
(Batch 1-11)*

5,316,499*

Recipients
Received Incentives

Rp13.39T

Distributed
Incentives

*Number of real recipients after number of recipient's decree (5.987.674 people) minus the number of recipients who are revoked (478.619 people)

Recipient

5,932,867**

Recipients
(Batch 12-22)

Rp11.7T

Distributed
Incentives

5,787,224

(97% of Recipients)

Recipients Completed
Training

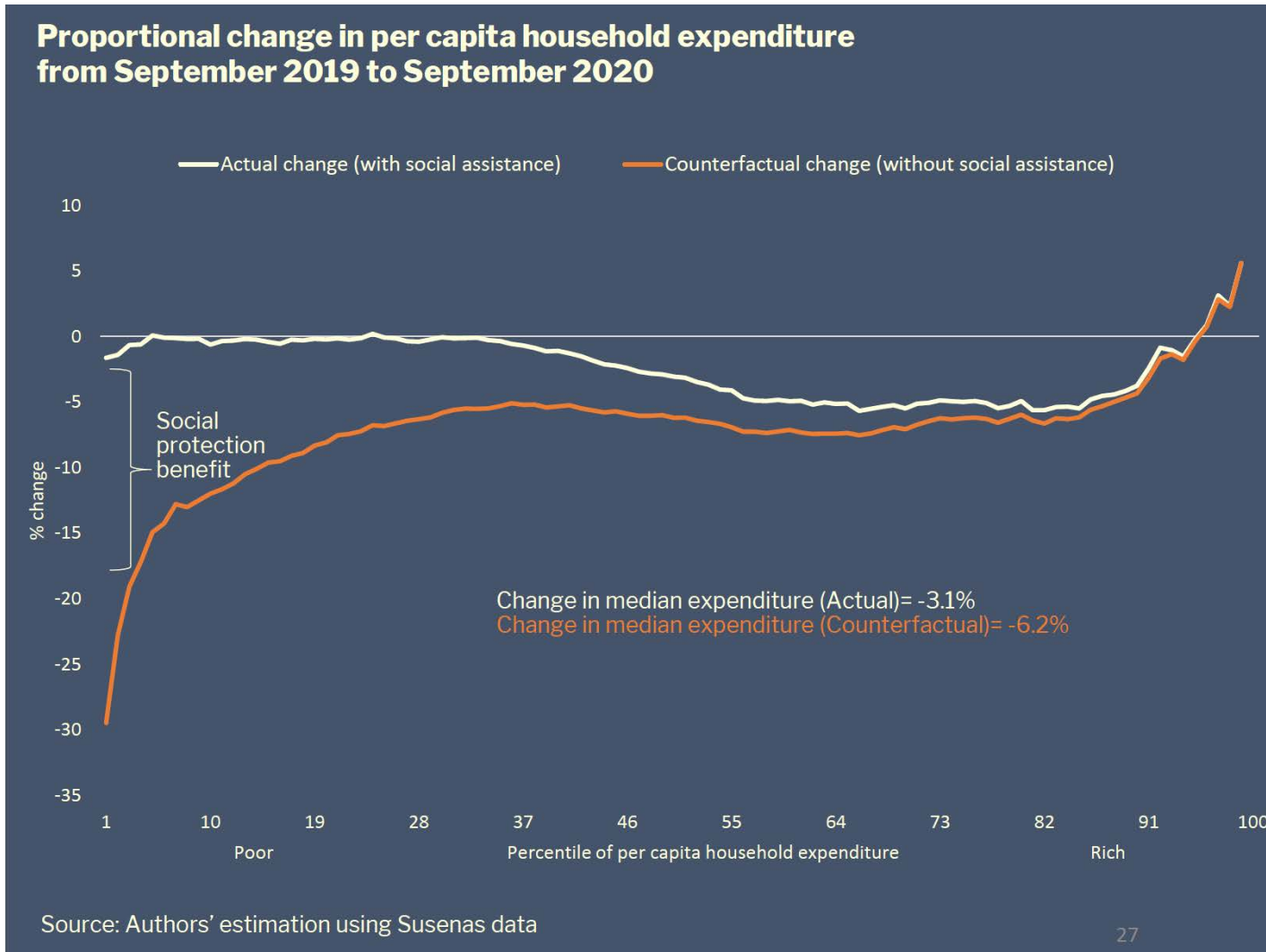
5,689,417

Recipients
Received Incentives

** Number of effective recipients after number of recipient's decree (6.019.842 people) minus the number of recipients who are revoked (86.975 people)

Source: Coordinating Ministry for Economic Affairs,
Executive Management Pre-Employment Card Program, 22 November 2021

Impact of Social Protection Programs on Household Expenditures



- Social protection programs have reduced the adverse impact of the pandemic on poverty and inequality.
- Per capita expenditure of households in the bottom 40% would have dropped larger if there had been no social protection programs.



“What are the future plans for social protection?”

National Social Protection System Reform

1. DATA TRANSFORMATION TOWARDS SOCIO-ECONOMIC REGISTRY

Improve data and develop an integrated data acquisition system for 100% of the population.



2. DEVELOPMENT OF ADAPTIVE SOCIAL PROTECTION SCHEME

Equip social protection systems with the ability to adapt to the effects of natural and non-natural disasters.



3. DIGITALIZATION OF DISTRIBUTION CHANNELS

Use digital platform (data integration); e-KYC and one social assistance account; and banking payment and financial technology platforms.



4. FINANCING SCHEME REFORM

Develop an innovative, expansive, and sustainable financing scheme.



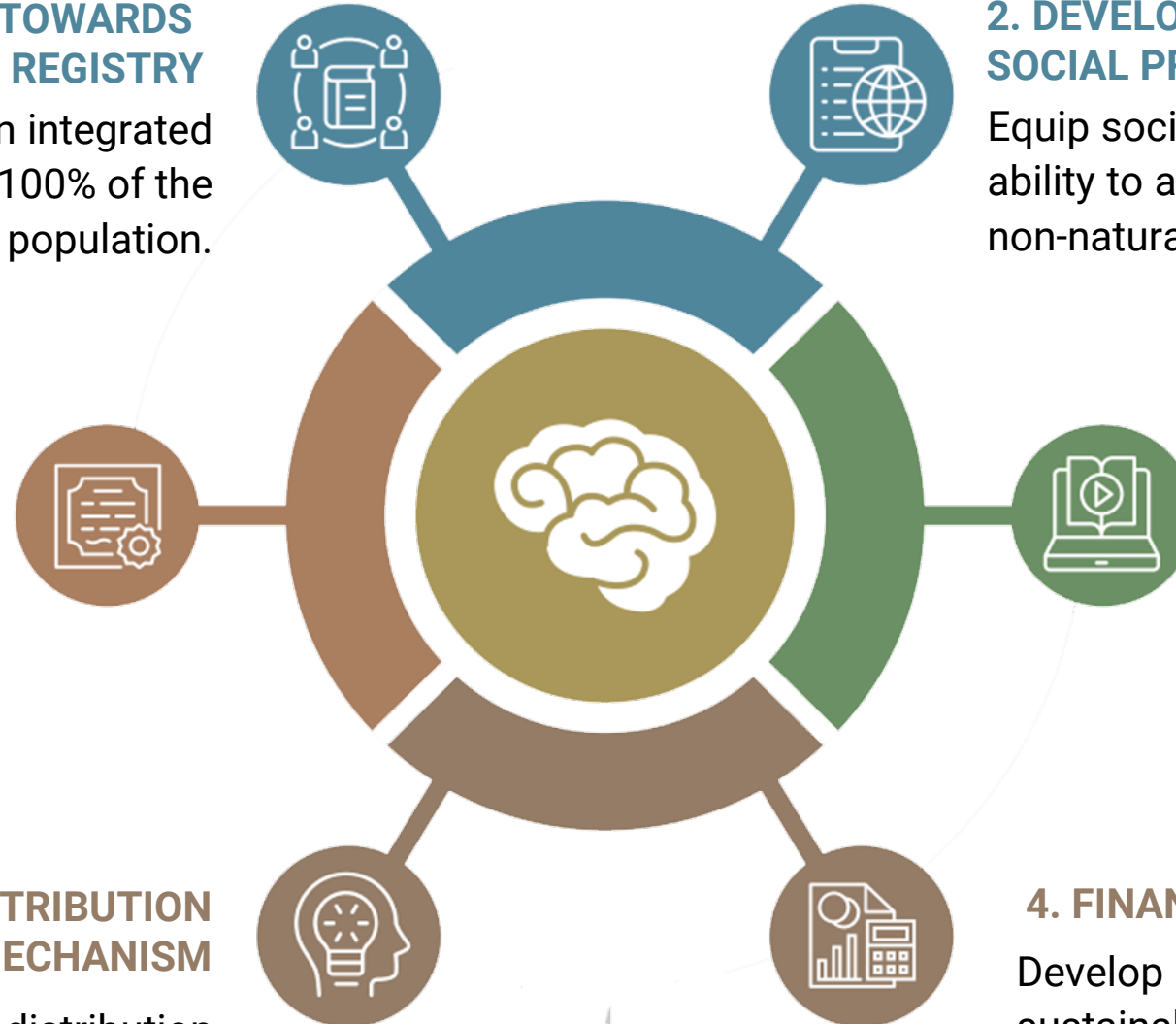
5. DEVELOPMENT OF DISTRIBUTION MECHANISM

Build digital distribution mechanism (for cash transfer).



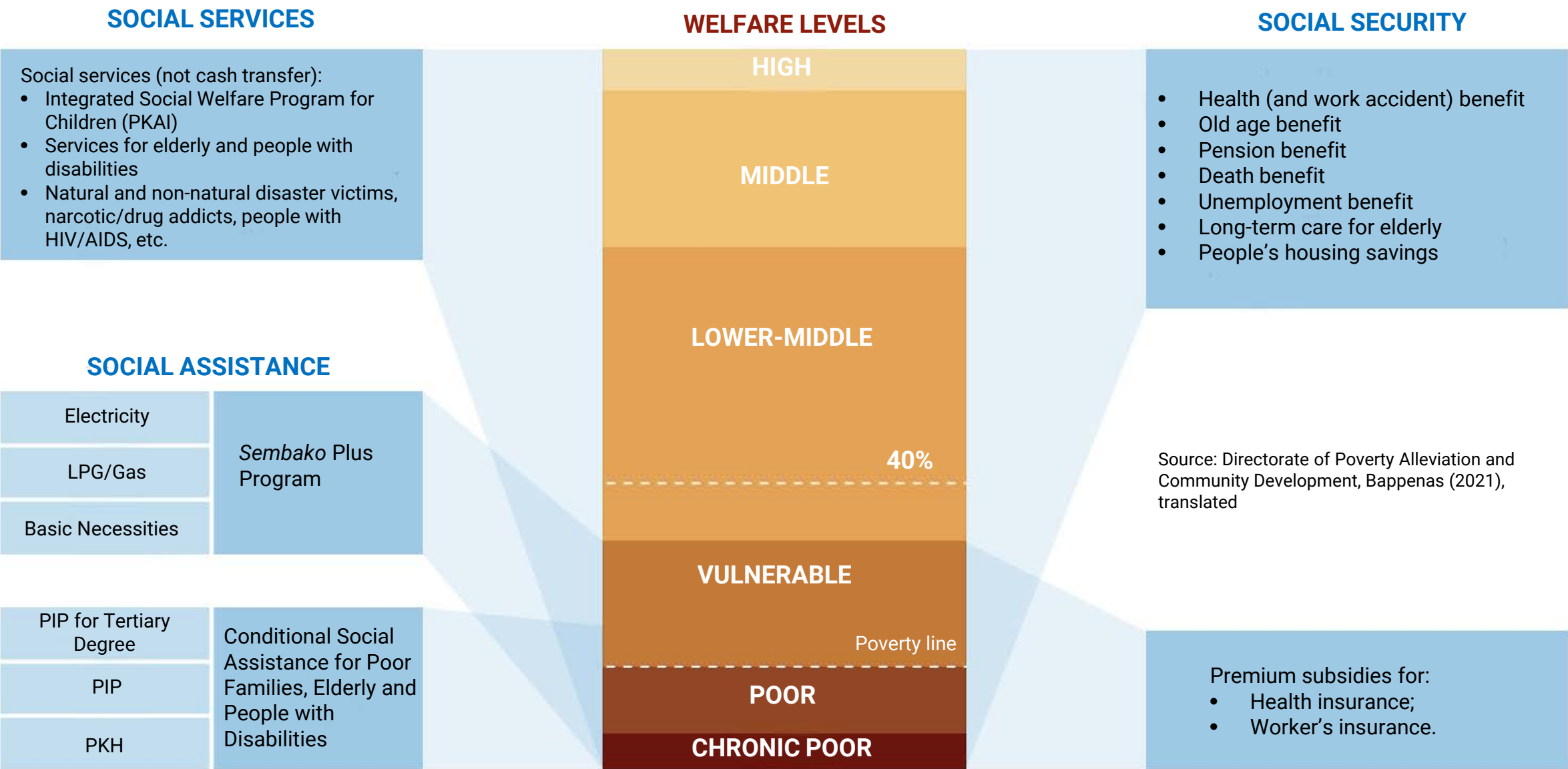
6. PROGRAM INTEGRATION

Integrate and coordinate social assistance and social security at national and sub-national levels.



Indonesia's vision of “Social Protection For All” by 2024

Programs are based on vulnerability, not by cutting-off 40% of the lowest income.



Source: Directorate of Poverty Alleviation and Community Development, Bappenas (2021), translated

Premium subsidies for:

- Health insurance;
- Worker's insurance.

Comprehensive Adaptive Social Protection Approach for Indonesia

Development target:

30% of national and local government institutions have adopted ASP system by 2024.

Three elements of ASP in National Medium Term Development Plan (RPJMN 2020-2024):



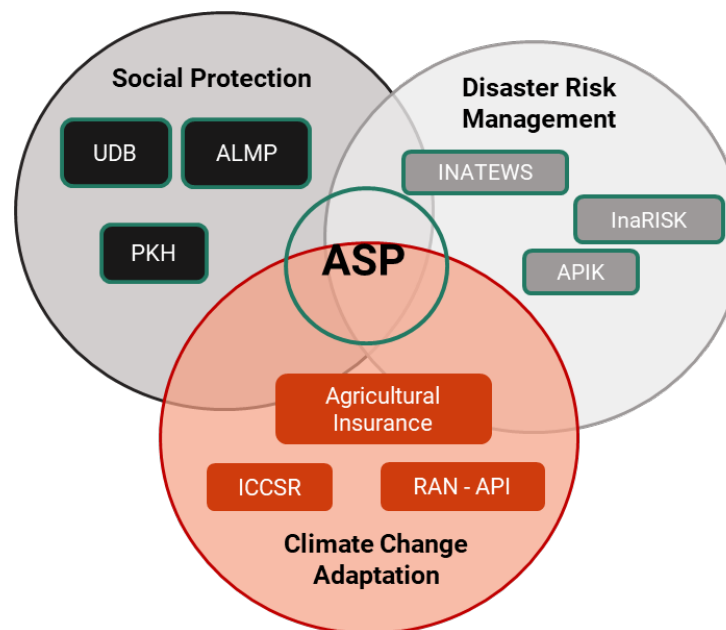
Combining and integrating Social Protection, Disaster Risk Management and Climate Change Adaptation in a comprehensive ASP approach for Indonesia.



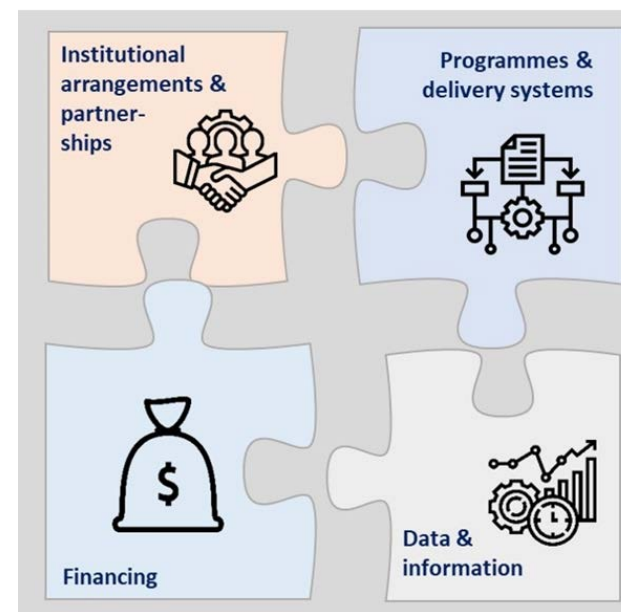
Strengthening Social Protection Institutional System to be more responsive to socioeconomic risks due to climate change and natural disasters.



Developing a sustainable ASP Financing System to mitigate climate change and natural disaster risks.



4 Pillars of ASP Roadmap



Job Loss Security (JKP) Program as Unemployment Benefit



Social security for
laid-off workers

Benefit

Cash Benefit

max 6 months, with payments of 45% for 3 months and 25% for 3 months (with maximum wage of Rp5 million)

Access to Job Market Information

Job market information and/or job counseling

Job Training

Trainings based on competency

Progress

Overall, JKP services must be **90% ready** in November 2021.

- | | |
|---|---|
| ✓ Landing page/Information portal for JKP | ✓ IT infrastructure and service systems |
| ✓ Counselor | ✓ Promotion and enforcement services |
| ✓ Assessment module and counseling | ✓ Inspection and Labor norms |

JKP Launching

The JKP program's piloting will take place in December 2021.

Soft launching will be in January 2022, followed by an official launch in **February 2022**.

Thank You!