



EXECUTIVE SUMMARY REPORT:

THE SOCIAL AND ECONOMIC IMPACTS OF COVID-19 ON HOUSEHOLDS AND STRATEGIC POLICY RECOMMENDATIONS FOR INDONESIA

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Executive Summary

The arrival of COVID-19 has created unprecedented challenges for the world. In Indonesia, the coronavirus has infected more than 1.3 million people since the first confirmed cases in March 2020. At least 35,000 people have died. Coronavirus curbs on the economy and society continue to have a shocking impact on human development. After years of progress, poverty is rising again. One in ten people in Indonesia today are living below the national poverty line. Child poverty may increase significantly. The social impact would have been far worse had it not been for government assistance.

In response to the crisis, the government of Indonesia has introduced a massive fiscal stimulus package through the National Economic Recovery (PEN) program. In terms of the total amount devoted to combatting COVID-19, Indonesia ranks among the top five countries in the Asia Pacific region (ADB 2021). In 2020, the Government of Indonesia allocated IDR 695.2 trillion (approximately US\$ 49 billion) to the program. With the crisis still unfolding, the Government announced a budget of IDR 699.43 trillion (approximately US\$ 49.3 billion) in February 2021 for the continuation of the PEN program this year (Kemenkeu, 2021).

Indonesia has continued to invest in strengthening its social protection programs to respond to the crisis. These have been expanded to protect

today's poor against major shocks as well as a growing number of lower-middle-income earners who have become vulnerable and at risk of becoming tomorrow's poor. Small businesses, too, are receiving assistance as they continue to contend with a contracting economy and public-health restrictions.

To assess the impact of COVID-19 on Indonesia's households and to inform government policies, UNICEF, UNDP, Prospera and the SMERU Research Institute collaborated on a ground-breaking survey in late 2020.

The survey included 12,216 nationally representative households across all 34 provinces in October and November 2020. It was the largest survey of COVID-19 impacts so far and focused on children and vulnerable groups. It was based on face-to-face interviews with households interviewed by Statistics Indonesia (BPS) as part of its National Socio-Economic Survey 2019 (SUSENAS). The survey was undertaken in close collaboration with the Indonesian government.

The impact of COVID-19 will reverberate throughout 2021. However, the pace of support must continue to boost child and family wellbeing. Indonesia's development partners stand ready to assist in this endeavour.



Key finding 1: The impact of COVID-19 on household finances has been severe

Almost three-quarters of households (74.3%) interviewed in October–November 2020 said they were earning less than they were in January 2020.

The proportion of households with lower income was slightly higher among those with children (75.3%) and among those living in urban areas (78.3%). Urban households also experienced a larger reduction in income than rural ones.

Households across all income groups—from the poorest to the richest—reported similar percentage-term falls in income. Many households that were previously economically secure in the middle of the income distribution have either become poor or are at risk of becoming poor.

For many households, a loss of earnings was not the only challenge: almost a quarter of respondents (24.4%) said their expenses had risen, too. Increased costs for groceries and other essentials was the main contributor to this rise in expenses.

A significantly higher proportion of households with children (65%) are spending more on internet or mobile telephone charges than those without children (28.9%).

Only a small proportion (14%) of primary income earners changed job as a result of COVID-19. However, almost half (47.3%) of those who did change job moved from work as salaried employees in the formal sector into less secure work in the informal sector.

Half of all households (51.5%) have no savings upon which to fall back. Almost one-third (27.3%) were pawning possessions to survive. A quarter (25.3%) were borrowing money informally from family or friends.

For many households, small businesses are an important source of income. One-third of respondents had at least one household member who was running a business, and almost all of these businesses (87.5%) had been affected by the pandemic. Fewer customers, lower revenues and higher costs were the main concerns.

Key finding 2: Children are missing out on education and healthcare

Almost three in four parents are concerned about learning loss due to disruptions to their children's education. Access to reliable internet is a major obstacle facing children to successfully learn from home, with 57.3% of households who have children reporting this to be a major concern. Rural and poorer

households faced more internet problems and device constraints than their urban and wealthier counterparts.

Many parents reported that they had insufficient time (28.7%) and/or lacked capacity (25.3%) to support their children to learn from home.

Households with children are accessing fewer health services—one main reason for this is the fear of catching COVID-19. More than one in 10 of households with children under five said they had not taken their children to immunisation clinics since April 2020.

School closures, social isolation combined with economic uncertainties are also exposing children to other risks. This survey found that 45% of households reported behavioural challenges among their children. Among them, 20.5% said children are finding it harder to concentrate; 12.9% are becoming angrier; and 6.5% are finding it difficult to sleep.

Key finding 3: Social assistance is reaching many people in need, but it could do even more

Most households (85.3%) received at least one form of social assistance, be it a cash transfer or some sort of “in kind” assistance. Half of all households (50.8%) received a cash transfer.

The poorest households received the most assistance. Among those in the bottom 40% of the expenditure (income) distribution, more than 90% received at least one form of assistance and more than 60% received cash. Most households that were economically secure before the pandemic but experienced a significant loss of income were also able to access assistance (approximately 70%). These included programs such as tax deferrals, credit subsidies and internet assistance that targeted newly affected households.

Many households received complementary cash and in-kind assistance, and there was little duplication in households receiving cash programs, spreading the benefits further.

Two-thirds (67.4%) of recipients of government assistance said that it was helpful in countering the impact of the recession on household finances. Households used the assistance to buy groceries and fulfil daily needs, utilities, and mobile credit/internet.

However, more than a third (38%) of households in the bottom 40% of the expenditure distribution did not receive any cash assistance in October-November 2020.

Very few of the households (7.5%) that ran a small business received business support from the government. Forty percent of small business owners said they were not aware that government assistance was available.

Key finding 4: Women are taking on additional caring responsibilities

Mothers were three times more likely to care for children than fathers: 71.5% of households said the mother was taking the lead in supporting children with home schooling compared with only 22% of households who said it was the father.

Half of these women were also engaged in paid work to support their families. They were struggling to find a balance between work and additional responsibilities posed by school closures.

Key finding 5: Food insecurity and vulnerable groups are concerns for the future

Almost one-third (30%) of respondents were worried they could not feed their families. The proportion of households facing moderate or severe food insecurity rose to 11.7% in 2020. Income reduction and disruptions to food delivery systems were the main factors contributing to food insecurity.

Households who have a person with a disability experienced more income and job loss. One in 10 households with a person with a mild disability experienced job loss due to COVID-19, and eight out of 10 experienced a decrease in income compared with before the pandemic. Meanwhile, households who have a member with a severe disability could not access the health and/or therapy services they needed.

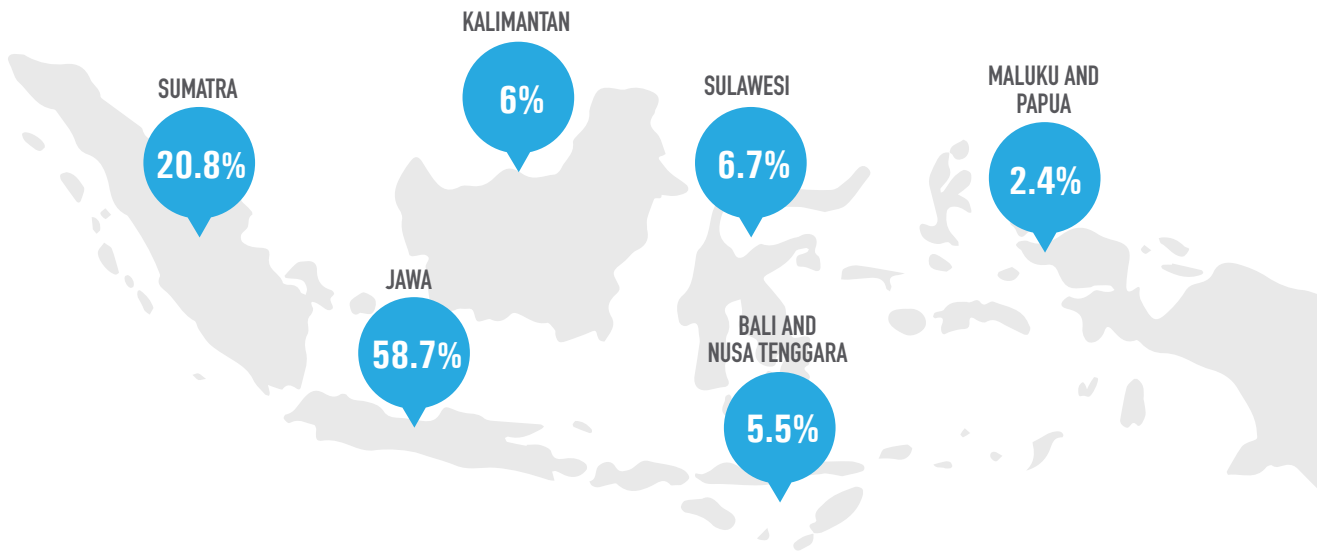
More women-headed households said they did not have savings (56.7%) to help cushion the impact of the crisis compared with men (50.6%).



Strategic policy recommendations include:

- ➔ **Recommendation 1: Support children more** through learning, social protection, health and nutrition and child protection. Support schools to gradually and safely re-open; ensure cash transfer programs benefit all affected households who have a child; prioritise delivery of life saving vaccines and medicines to protect children from disease; include mental health services for parents and children as a part of the public-health response to COVID-19.
- ➔ **Recommendation 2: Expand food assistance** and address disruptions to supply, to combat rising food insecurity. Accompany cash-based food transfers with health and nutrition promotion. Roll out surveillance of nutrition at the local level. Ensure supply of nutritious food is available and affordable.
- ➔ **Recommendation 3: Maintain support to low-middle income groups** who are now poorer and more vulnerable, through a suite of labour market (such as cash for work, skills training, job creation) and social assistance programs.
- ➔ **Recommendation 4: Continue assisting family businesses to recover** through cash transfer programs tailored to them, information dissemination, on-demand registration and by linking recipients with complementary support. Ensure women-owned businesses are equally supported.
- ➔ **Recommendation 5: Reduce women's care burden** by gradually and safely re-opening schools, launching a campaign to promote equal sharing of care work at home and equip both parents with skills and support they need to successfully support children's learning during school closures and/or periods of hybrid learning.
- ➔ **Recommendation 6: Ensure people with disabilities can access health and care services** they need. Prioritise households and individuals with a disability for social assistance and complement with access to upskilling and re-skilling training opportunities.
- ➔ **Recommendation 7: Link new registrations for social assistance into single database** for future targeting. Specific recommendations are consolidating and integrating data of cash recipients into the integrated social welfare database (DTKS). Develop rules and guidelines to collect standardised information. Ensure new micro business registry has household identification numbers for data merging purposes.
- ➔ **Recommendation 8: Promote greater understanding of government support** by developing a user-friendly medium with up-to-date information about business support programs.

Distribution of households across Indonesia



Households Key Characteristics

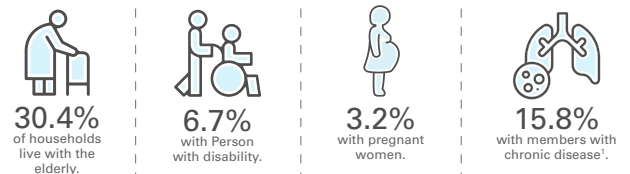
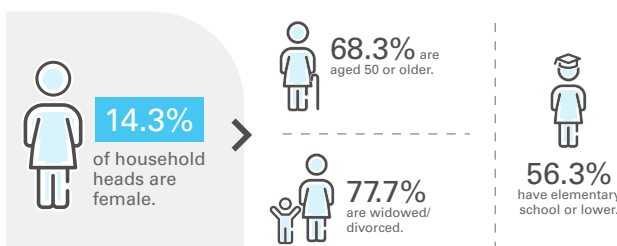
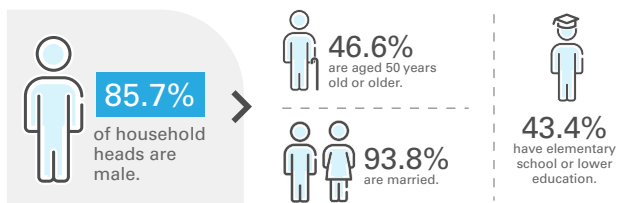


Urban **56%**
Rural **44%**

Half of all households have **3-4 members** and one-third have five or more members.

71.5% of households live with children (under 18 years old).
25.4% of households have children under the age of 5.

Profile of household heads



The largest proportion of breadwinners





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