

Mukti Mulyana/SMERU

EMPLOYMENT SITUATIONS OF ECONOMIC SECTORS IMPACTED BY THE COVID-19 PANDEMIC

Muhammad Adi Rahman, Ahmad Zuhdi Dwi Kusuma, Hafiz Arfyanto

EXECUTIVE SUMMARY

The COVID-19 pandemic-induced economic crisis has affected the labor force in Indonesia. A number of workers have been furloughed and even laid off, as the crisis has caused disruption to companies' operations. There are six economic sectors with the potential to be heavily impacted by the pandemic, namely accommodation and food service activities, trade, transportation and storage, construction, manufacturing, and other services activities. Based on the 2019 National Labor Force Survey (Sakernas) and National Socioeconomic Survey (Susenas) data, the six sectors are dominated by workers from the middle class who are mostly high-school graduates. Looking at the formal/informal sector of employment, accommodation and food service activities, trade, and transportation and storage are dominated by informal workers. In addition, this crisis has a potential to reduce women's labor participation rate, especially in other services, and accommodation and food service activities. The labor situations of the six sectors as presented in this issue brief can serve as basic information for policymakers in formulating effective strategies to overcome the impact of COVID-19 pandemic on Indonesia's labor force.

First detected in the country in early March 2020, the COVID-19 pandemic has caused a terrible blow to employment in Indonesia. The reduction of economic and social activities to inhibit the spread of COVID-19 in Indonesia and its trading partner countries is causing various economic sectors to contract. The result is that a number of workers are furloughed, while some others are even laid off. Many workers in informal sectors have also lost their jobs. The reduction of the number of workers is expected to continue as the country's economy also continues to slow down. To note, in the first quarter of 2020, the economy grew only 2.97% (Badan Pusat Statistik¹, 2020). Consequently, there needs to be an effective set of policies to mitigate the rising number of unemployment.

As an effort to support the formulation of employment policies which suit the characteristics of workers impacted by the crisis, this issue brief aims to provide information about the characteristics of labor in the sectors that are impacted by the COVID-19 pandemic.² The characteristics comprise the type of expenditure group (as the welfare proxy), formal/informal status of their employment, sex, and educational attainment. The economic sectors the issue brief focuses on are the accommodation and food service activities, trade, transportation and storage, construction,

manufacturing, and other services activities (Table 1).³ The sectors were chosen because they are predicted to suffer from the COVID-19 pandemic and the proportion of the workers in these sectors are relatively big.

1. Characteristics of Workers by Expenditure Group⁴

Most workers in the sectors which are affected by the crisis due to the COVID-19 pandemic, except for the construction sector, come from the middle income group (Figure 1). If there is a shock, this group is deemed to have better coping mechanism than the poorer group (the bottom 40%). It is because they may still have savings or social assets. However, more than half of the workers in the middle income group are just starting to pave their career, which implies that their savings are still limited. If what we are facing is a prolonged crisis, they face a threat of running out of savings. This increases the vulnerability of the labor force from the middle income group. Also, the group has its own vulnerability, as at present they are not included in the government's database for social protection programs and there is a big possibility that they are excluded from social aids as well. The government uses only the Integrated Social

Table 1. Gross Domestic Product (GDP) Growth Rate and Proportion of Labor in Each Sector

SECTOR	GDP Growth Q4 2019–Q1 2020	Proportion of Labor (%)
Agriculture, forestry, and fishing	9.46	27.46
Mining	-0.75	1.11
Manufacturing	-1.17	14.88
Electricity and gas	-5.66	0.28
Water supply	-0.89	0.28
Construction	-6.92	6.65
Trade	-1.38	19.00
Transportation and storage	-6.38	4.36
Accommodation and food service activities	-3.54	6.69
Information and communication	2.97	0.74
Financial and insurance activities	5.39	1.37
Real estate activities	0.52	0.33
Business services	-2.28	1.51
Public administration	-8.54	3.80
Education	-10.39	4.93
Human health and social activities	1.09	1.53
Other services activities	-1.19	4.09

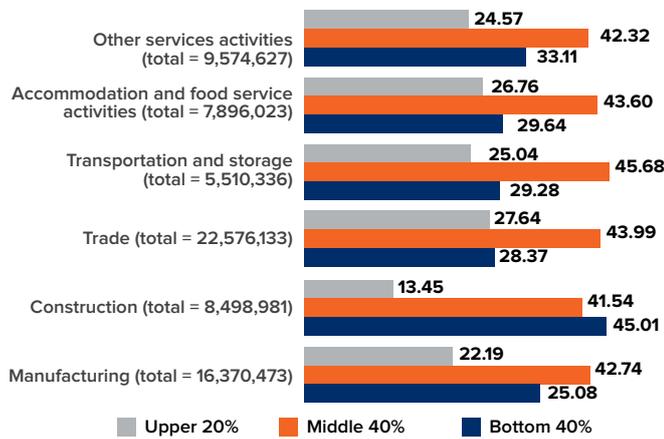
Source: Badan Pusat Statistik, 2020; and Sakernas as of August 2019.

¹ Statistics Indonesia.

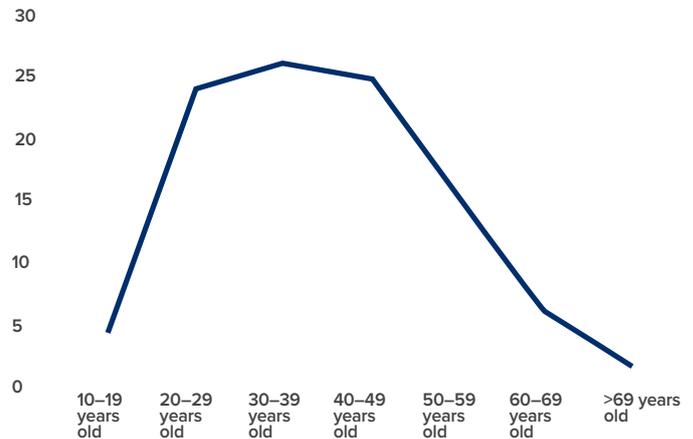
² The data is processed from the National Social-Economic Survey as of March 2019 and National Labor Force Survey (Sakernas) as of August 2019.

³ Bappenas (the National Development Planning Agency) (2020) predicted that there are six economic sectors that bear the negative impact of the pandemic: accommodation and food services, trade, transportation and storage, construction, manufacturing, and mining. However, mining is not included in this issue brief because its proportion of labor is relatively smaller and thus is replaced with the other services sector.

⁴ Data which is used in this section is processed from Susenas data as of March 2019.



Panel A. Proportion of workers in the six sectors



Panel B. Age distribution of the middle 40% group

Figure 1. Proportion of workers in the six sectors based on expenditure group and age distribution of workers from the middle 40% group

Welfare Data (DTKS) as the basis for their aid distribution. That is why the government is on the right track with their policy of using an alternative method to target the middle income group.

2. Characteristics of Workers by Employment Status (Formal/Informal)

The accommodation and food service activities, transportation and storage, and trade sectors are dominated by informal workers, whereas the other three sectors are dominated by formal workers (Figure 2). The formal/informal status of a worker affects the ways the worker adapts to the crisis and the intervention policy approach for mitigating unemployment. For example, it is easier (more flexible) for workers in the informal sector, than the formal workers, to switch jobs depending on the economic condition (Pitoyo, 2007). Informal workers, however, have limited access to social security programs or other government programs. For example, the National Economic Recovery program designed to mitigate the impact of the COVID-19 pandemic-induced crisis targets

only the formal sector. Therefore, there needs to be a crisis mitigation policy or program that targets workers in the informal sector.

3. Characteristics of Workers by Sex

The transportation and storage, trade, construction, and manufacturing sectors are dominated by male workers, while other services activities, as well as accommodation and food service activities are dominated by female workers (Figure 3). Cameron (2018) mentioned that the level of participation of female workforce in Indonesia is still low compared with that in other Southeast Asian countries. The current crisis due to the COVID-19 pandemic has the potential of further suppressing women's labor participation. This happens because the proportions of women working in other services activities, and accommodation and food service activities are bigger than those of men, so there is quite a big possibility for the women to face layoffs or furloughs.

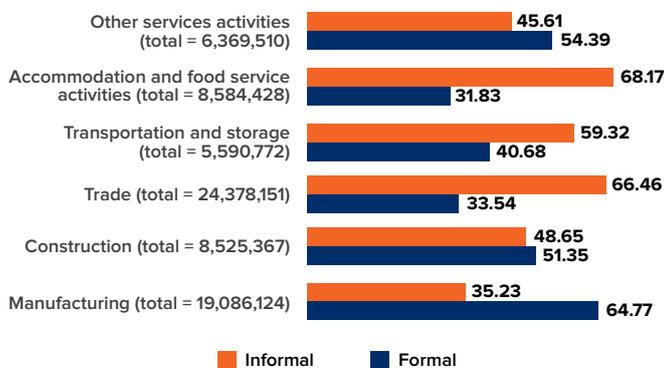


Figure 2. Proportion of workers in the six sectors by employment status (formal/informal) (%)⁵

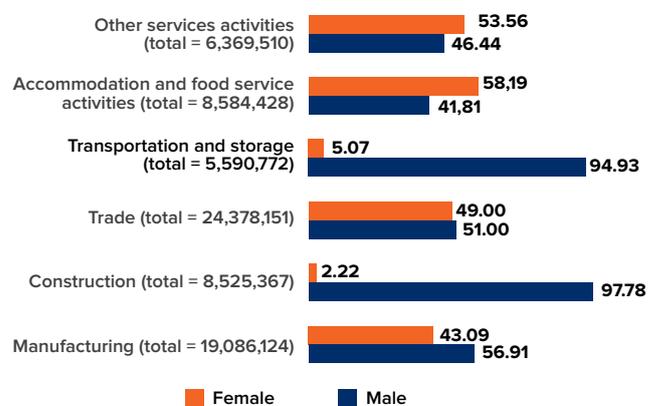


Figure 3. Proportion of workers in the six sectors by sex (%)

⁵ According to Badan Pusat Statistik (2016), formal workers are those who run a business with the assistance of permanent and paid workers, and laborers/employees/staff, other than those are categorized as informal workers.

4. Characteristics of Workers by Educational Attainment

The six sectors are dominated by workers who are senior high school graduates, except for the construction sector, which is dominated by elementary school graduates (Figure 4). The lower the educational level of the workers, the more they have to rely on low-skilled jobs. This increases these workers' level of vulnerability in the job market. Mathebula et al. (2015) mentioned that workers with a low educational level run a bigger risk of losing their jobs than those with a higher educational level, especially in the construction sector. Also, the educational background of workers who have the potential of suffering from the impact of the crisis provides us with important information about the necessary intervention approach when formulating the policy to mitigate the wave of unemployment. As an illustration, the crisis happening due to the COVID-19 pandemic has the potential of changing the structure of the workforce and the business world in general because jobs related to information and communication technology have the potential of playing an even greater role in the future (McKinsey & Company, 2020). Therefore, it is a good idea for job seekers to increase their capacity in fields related to technology, for example, through training programs. Such training programs need to be tailored to their educational background and level. ■

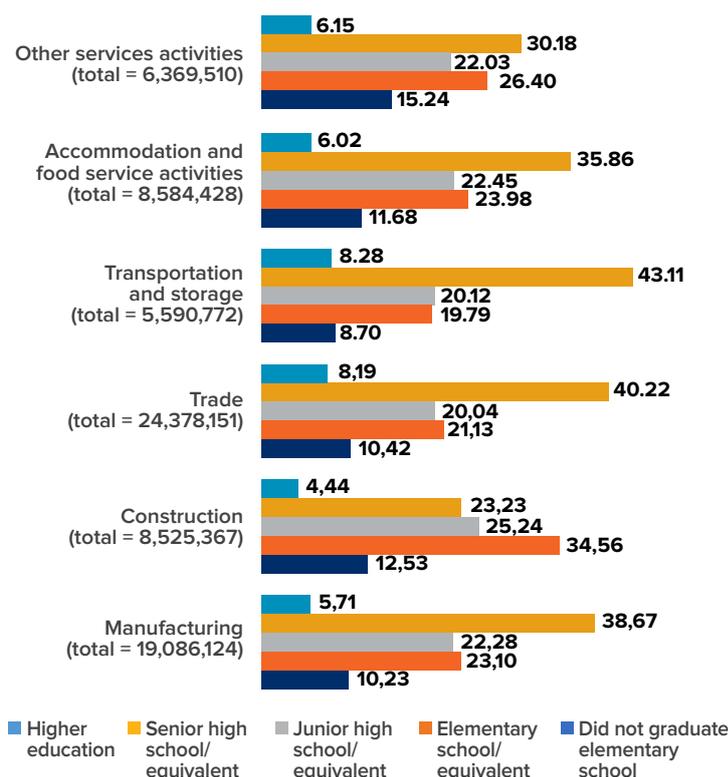


Figure 4. Proportion of workers in the six sectors by educational attainment (%)

List of References

- Badan Pusat Statistik (2020) 'Pertumbuhan Ekonomi Indonesia Triwulan 1 2020 Tumbuh 2,97 Persen' [Economic Growth of Indonesia First Quarter 2020]. Official Gazette of Statistics (BRS) [online] <<https://www.bps.go.id/pressrelease/2020/05/05/1736/ekonomi-indonesia-triwulan-i-2020-tumbuh-2-97-persen.html>> [11 June 2020].
- Badan Pusat Statistik (2016) 'Rapat Interdep Survey Angkatan Kerja Nasional (Sakernas) 2016' [Interdepartmental Meeting on National Workforce Survey (Sakernas) 2016]. Paper presented at the Sakernas interdepartmental (interdept) meeting, Jakarta, 13 December 2016, unpublished.
- Bappenas (2020) 'Kerangka Ekonomi Makro dan Rencana Kerja Pemerintah 2021' [2021 Macroeconomic Framework and Government Work Plan]. Paper presented at a Government Work Plan (RKP) closed meeting (*ratas*), Jakarta, 14 April 2020, unpublished.
- Cameron, Lisa (2018) 'Gender Inequality in the Indonesian Labour Market.' Paper presented at the 14th IRSA International Conference, Sebelas Maret University, Surakarta, 23–24 July 2018, unpublished.
- Mathebula, Lerato, Mulenga Mukuka, Clinton Aigbavboa, and Wellington Didibhuku Thwala (2015) 'A Theoretical Assessment of Causes of Job Insecurity in the Construction Industry.' Proceeding of the 12th International OTMC Conference - Organisation, Technology, and Management in Construction, 2–6 September 2015, Primošten, Croatia. Primošten: 1–6.
- McKinsey & Company (2020) 'COVID-19: Implications for Business' [online] <<https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>> [4 June 2020].
- Pitoyo, Agus Joko (2007) 'Dinamika Sektor Informal di Indonesia' [Dynamics of the Informal Sector in Indonesia]. *Jurnal Populasi* 18 (2): 129–146. DOI: <https://doi.org/10.22146/jp.12081>.

The SMERU Research Institute is an independent institution for research and policy studies which professionally and proactively provides accurate and timely information as well as objective analysis on various socioeconomic and poverty issues considered most urgent and relevant for the people of Indonesia



The SMERU
Research Institute

Editor:
Dhania Putri Sarahtika

Design:
Novita Maizir

©2020 SMERU

This issue brief is one of the products of a series of nine SMERU studies on the socioeconomic conditions of people living in Indonesia amid the COVID-19 pandemic.
#StudiCovid19SMERU

The findings, views, and interpretations published in this issue brief are those of the authors and should not be attributed to any of the agencies providing financial support to The SMERU Research Institute