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# **SERD Policy Network Workshop**

## **“Measuring the Impact of COVID-19”**

**9-10 November 2020**

### **Session 3: Impact of the Pandemic on Labor Market Outcomes and Opportunities**

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# Outline of Presentation

- Government's Fiscal Response & Disbursement Rates (2-3)
- Government's Programs to Address Unemployment i) Pre-employment Card (KPK) and ii) Wage Subsidy (3-4)
- Legislative Revision: Omnibus Law (Job Creation Act) (1)
- ADB's JobStart Program (1)



# Public Health & PEN: Budget Structure

- Perpres 72/2020.

<b>PUBLIC HEALTH</b>  <b>Budget: \$5.7 Billion</b>	<b>MSME INCENTIVE</b>  <b>Budget: \$7.7 Billion</b>
<b>SOCIAL ASSISTANCE</b>  <b>Budget: \$16.4 Billion</b>	<b>ENTERPRISE INCENTIVE</b>  <b>Budget: \$8.1 Billion</b>
<b>SECTORAL &amp; REGIONAL</b>  <b>Budget: \$4.6 Billion</b>	<b>CORPORATE FINANCING</b>  <b>Budget: \$4.2 Billion</b>
<b>COVID-19 TOTAL BUDGET: \$46.7 Billion</b>	

Public health program:

- Control the spread of COVID-19 pandemic and provide better treatment for patients

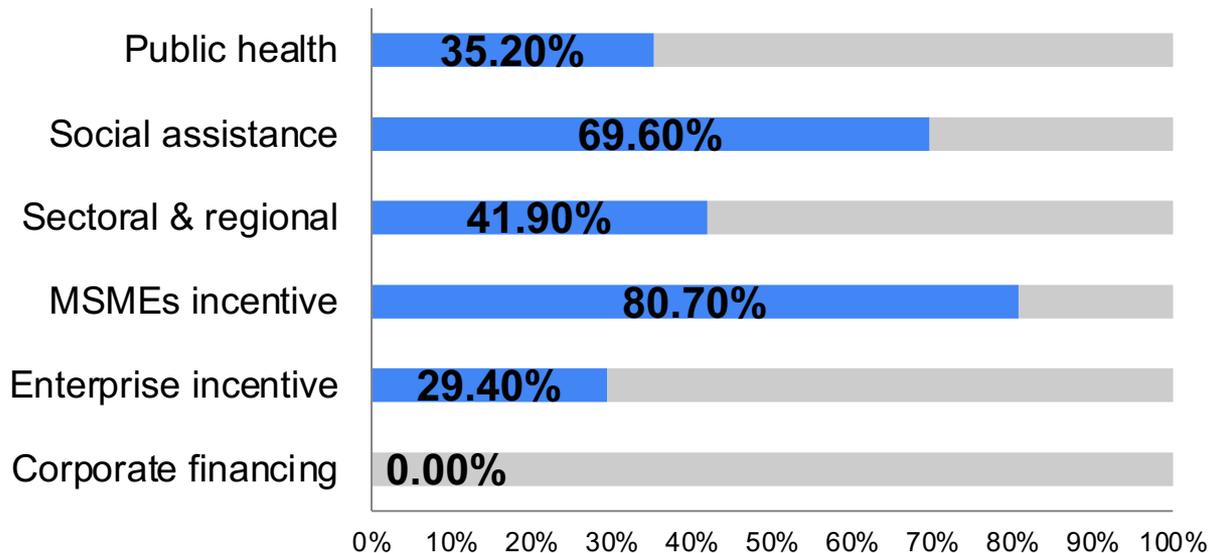
PEN program:

- Soften the shocks to poor and vulnerable households.
  - via cash transfers
  - protecting jobs
- Countercyclical fiscal policy to jump-start the economy.
  - tax incentives
  - credit financing



# Disbursement Rates October 2020

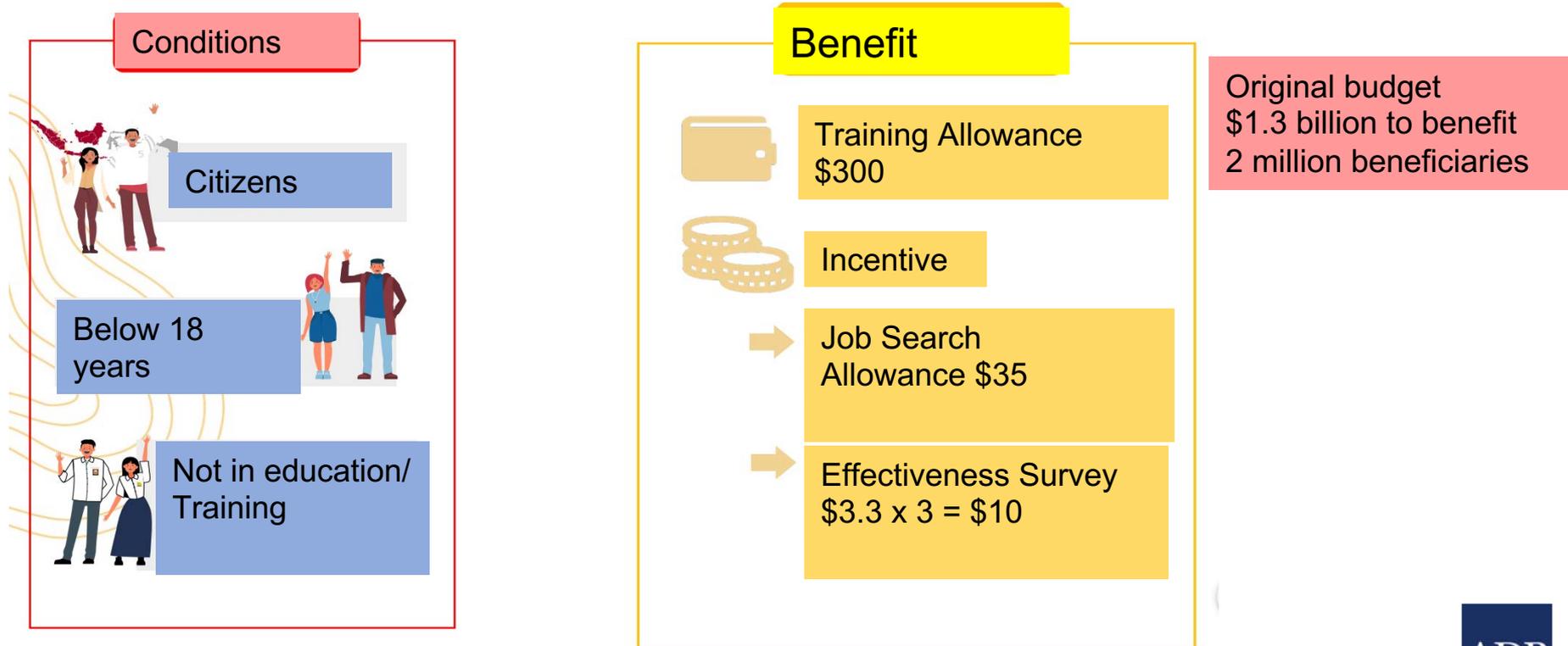
## Budget disbursed





# Government's Labor Market Programs:

Pre-employment card/ Kartu Pra Kerja (Original design)

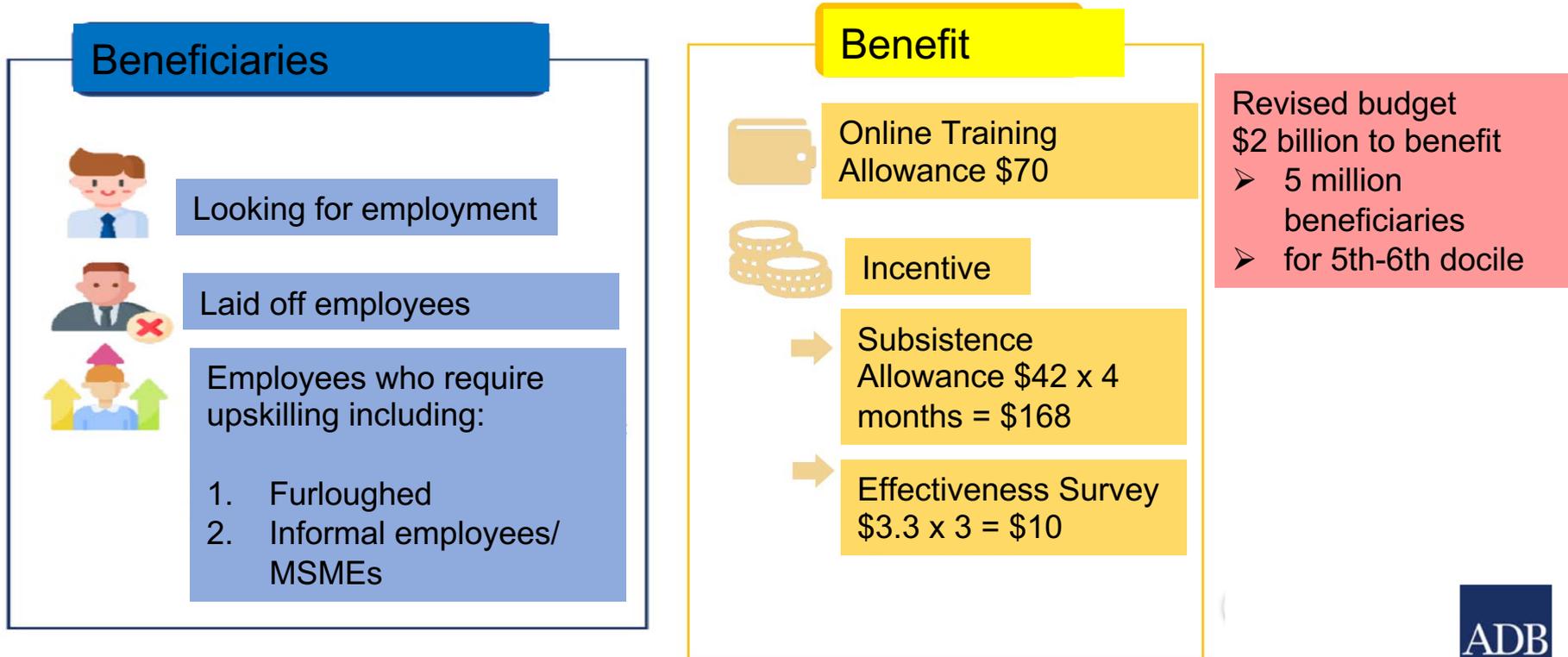




# Government's Labor Market Programs:

Post COVID Pre-employment card/ Kartu Pra Kerja (COVID-19)

Presidential regulation 76: redesigned to semi-social assistance program





# Government's Labor Market Programs:

## Wage Subsidy – September 2020

### Requirements



01

Citizens of Indonesia

04

Monthly salary below \$350

02

Registered with social assistance employment program until June 2020 (ketenagakerjaan BPJS)

05

Active bank account

03

Formal employees

Direct transfer of \$42 x for 4 months

Allocation of \$2 billion and have benefitted 12.4 million employees



# Government's Labor Market Programs

## Wage Subsidy: Implementation Challenges

- ❖ Must be linked to employment, not just social assistance
- ❖ Data completeness
- ❖ Delays in bank processing and reporting
- ❖ Invalid account numbers and delays in receiving payment
- ❖ Informal workers?



# Omnibus Law: Job Creation Act

- ✓ Revised 73 existing laws
- ✓ For labor market, main objective is to lower cost of labor market to increase foreign investments
- ✓ Passed by parliament on 5 October and signed by President on 2 November
- ✓ For labor market, key issues include increase flexibility and reduce severance pay from

Jobs Omnibus on Labor Regulations: Comparison of Details			
Work Status	2003 Labor Law	Jobs Omnibus	
		Feb Draft	Final
Probationary period	- Applicable only for indefinite term contracts - First three months	Unchanged	Unchanged
	- Dismissals possible		Probation not a valid reason for firing
Fixed-term contract ( <i>perjanjian kerja waktu tertentu</i> or 'PKWT')	- Not applicable for "work that is by nature permanent"	Removed	Retained (but poorly enforced in past)
	- Permissible for 3 years max	Removed (no max limit)	
	- Vague on severance benefits	Severance to be defined by PP	
Indefinite term contract	- Dismissals require 3-step process	2-step	3 steps retained, including bipartite negotiations
	- Dismissals for rules violations require 3 warning letters at 6-month intervals	Removed	
	- Finite permissible reasons for dismissals	Expanded	Finite – but with clause enabling employer to insert reasons for dismissal into a contract

Employee who has worked 8-9 years can get up to 24.2 months compensation (3<sup>rd</sup> highest). Increase to 32.2 months for 24+ years service. Omnibus law removed relocation fees of 15% and doubling of severance pay. Results in reduction of 13-57% of cost when employees are terminated.



# ADB's JobStart Program

START: DISNAKER

