

Reconstruction the Major's Policy to Recover Economy and Poverty as a Pandemic Impact at Pasuruan City of East Java, Indonesia

Ana Fauzia
Universitas Muhammdiyah Malang

Corresponding author. Email: fauzia629@gmail.com

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Abstract

The Covid-19 pandemic not only has an impact on the health aspect of the people, but also has an impact on the declining level of the economy and people's welfare. Based on data from the Central Statistics Agency (BPS) of Pasuruan City, since the arrival of the Covid-19 pandemic, poverty in Pasuruan City has increased by 0.20 percentage points. The purpose of this study is to analyse how the impact of the Covid-19 pandemic to the people's economy in Pasuruan City and propose policy recommendations that the Pasuruan City Government should do. The method used in this research is normative legal research by applying the law, conceptual, and cases. The study results show that the Covid-19 pandemic has had a tremendous impact on various sectors, one of which is the economy of the people of Pasuruan City. The situation needs responsive efforts from the Regional Government of Pasuruan City, where the steps from the demand side themselves could be in the form of (1) tax incentives, loan interest subsidies, and credit restructuring to the firms (including micro, small, and medium enterprises) to jumpstart their activities; (2) employment and income provision for the furloughed (unpaid leave) workers to make sure that the workers have a decent livelihood and to prevent them from falling into poverty; and (3) inclusive protection for the workers, both in terms of social protection and employment agreement. As for the supply side, efforts can be made by (1) increasing access to secondary and tertiary education, (2) enhance the quality of education, and (3) provide training and education for workers and everyone over the lifecycle.

Keywords: Poverty Reduction, Policy Reconstruction, Covid-19 Pandemic, Economic Recovery

Reconstruction the Major's Policy in Order to Economic and Poverty Recovery in Pandemic at Pasuruan City East Java, Indonesia

I. Introduction

The Covid-19 pandemic is not only detrimental to public health but also the citizen's economy. So, it takes genuine efforts from various parties in the context of national economic recovery to the realization of Sustainable Development Goals, one of which is related to the welfare of the citizens. As the data of July 11, 2021, the number of confirmed COVID-19 positive cases has risen by 2,49 million. In the same period, the number of deaths was 2.05 million, while patients recovered to 65,457.¹ 2020 is the year of Covid-19. Indonesia feels the enormity of this pandemic in various aspects of development. The Indonesian economy throughout the year was minus 5.3 percent in the second quarter of 2020, and in aggregate, it grew by minus 2.1 percent in 2020. The development planning target in the 2020-2024 National Medium Term Development Plan (RPJMN) has been revised through updating the Government Work Plan (RKP) for 2020. 2020, with the main priority being the handling of Covid-19. Then it will be intensified in 2021 to pursue national priority development targets that have been neglected due to Covid-19. The 2020 state budget allocates around Rp. 937.42 trillion for the prevention of Covid-19, including the accumulated APBD of Rp. 86.32 trillion, making this year's financing deficit reach Rp. 1,226.8 trillion. The policy to control the Covid-19 pandemic through the Large-Scale Social Restriction Policy (PSBB) has had its ups and downs, let alone coupled with the new normal policy. The implementation of Community Restrictions (PPKM) as a substitute for PSBB, carried out in early February, and the national parallel program are expected to support the development of activities in the 2021 RKP. The Covid-19 pandemic is still high in the world and the acceleration launched by the government is still a long way to go.²

Mayor's Circular Letter, Number 13 of 2021 regarding time restrictions related to Pasuruan City community activities has become the basis for Pasuruan City to implement the latest policies set by the Central Government to enforce PPKM policies. The Governor of East Java has indeed implemented the obligation to implement the Emergency PPKM policy in 36 districts/cities in East Java Province. Most districts/cities in East Java fall into the category of level 3. Regions that enter level 3 are Tuban, Trenggalek, Situbondo, Sampang, Ponorogo, Pasuruan, Pamekasan, Pacitan, Ngawi, Nganjuk. Then Mojokerto, Malang, Magetan, Lumajang, Probolinggo City, Pasuruan City, Kediri, Jombang, Jember, Gersik, Bondowoso, Bojonegoro, Blitar, Banyuwangi and Bangkalan. Meanwhile, level 4 areas include Tulungagung, Sidoarjo, Madiun, Lamongan, Surabaya City, Mojokerto City, Malang City, Madiun City, Kediri City, Blitar City and Batu City. Almost all districts/cities

¹ Perkumpulan Ekonomi Indonesia-Jerman, <https://indonesien.ahk.de/id/infocenter/berita/berita/covid-19-developments-in-indonesia>.

² Muhyiddin & Nugroho, H., (2021), Indonesia Development Update a Year of Covid-19: A Long Road to Recovery and Acceleration of Indonesia's Development. *The Indonesian Journal of Development Planning*, 5(1), 348.

in East Java will undergo emergency PPKM. Except for two regions, namely Sumenep and Probolinggo Regency.

In facing so many transitions of covid-19's policy, the poverty rate in Pasuruan City tends to decrease in recent years. However, then it has increased since the Covid-19 pandemic hit early last year. Based on records from the Central Statistics Agency (BPS) of Pasuruan City, the trend of poverty in Pasuruan City tends to decrease over the past five years. It can be proven by the percentage of the poor population in Pasuruan for the March 2020 period, which fell by 0.81 percent compared to the March 2015 period. In other words, for five years, there has been a decline in the number of poor people, with an average of 81 people per 10,000 people in Pasuruan City. However, the poverty rate rose when stepping on 2020, which coincided with the Covid-19 pandemic. Compared to 2019, the increase was 0.20 percentage points. In 2019, the poverty rate stood at 6.46 percent. Then in 2020, it will be 6.66 percent. This means that there will be an additional 480 poor people, from 12,920 people in March 2019 to 13,400 thousand people in March 2020.³

Head of Pasuruan BPS Sri Kadarwati said the increase in the poverty rate was most likely influenced by several factors. Among them in the labour sector, there were 1,201 unemployed due to the Covid-19 pandemic and a decrease in people's income due to restrictions during the pandemic. In comparison, the poverty line is the expenditure of the population to meet food needs of 2,100 kcal per capita per day. As well as non-essential food needs such as housing, clothing, health, education, transportation, and others per month. The poverty line itself is calculated based on the results of the Susenas (National Socio-Economic Survey). In 2020, the poverty line in Pasuruan City increased by 1.63 percent compared to the previous year, to Rp 441,531 per capita per month.

In this regard, it is necessary to have better policies to provide economic recovery and preventative measures to prevent more severe mistakes from occurring in Pasuruan City. In addition, this improvement also seeks to provide a better evaluation in the hope that it can be carried out in all regions in Indonesia to suppress the growth rate of Covid-19 cases in every region in Pasuruan City.

II. Methods/Methodology

In this study, the method used is normative research using statutory, conceptual, and case approaches. The statutory approach in question is laws and regulations relating to the protection of the rights of citizens. Then in a conceptual framework, the author examines concepts related to the responsibility of the major to economic recovery a pandemic. While in the case approach, the author provides an analyzes of the urgency of protection for people in Pasuruan city that is affected by the pandemic through the cases that occur and data that supports why the protection for people to economic recovery is important.

III. Results, Analysis, and Discussions

3.1. The Impact of the Covid-19 on the Pasuruan City

³ BPS Kota Pasuruan, *Kecamatan Panggungrejo dalam Angka* (Pasuruan: BPS Kota Pasuruan, 2020), hlm. 2-8.

At the time of writing (July 2021), it has been more than a year since the first alarm bell rang that COVID-19 as the new coronavirus infection is rapidly spreading and changing lives in China.⁴ Responding to health and death risks became clearer, Wuhan and Hubei implemented lockdowns and travel restrictions. As this happened during the Chinese New Year, demand for luxury seafood declined, and the market collapsed for Canadian and American lobster, Australian crayfish, Vietnamese shrimp, and many other fisheries.⁵ It is a sign of the significant and life-changing changes that are about to occur in small-scale fisheries (SSF) and coastal fishers worldwide. Since then, the virus has spread to almost all countries, causing millions of cases and deaths⁶, most countries have implemented social distancing measures, or stricter lockdowns, in slowing the spread of the virus and “flattening the curve” of hospitalizations and deaths. Places of work, worship, education, and socialization are closed. The national economy has grown and soared – with predictions of events whose economic effects could be as harmful as the Great Depression.⁷ Several groups and sectors are particularly susceptible and vulnerable to the rapid social and economic impacts of the COVID-19 pandemic. In this editorial, the author will focus only on the economic aspect caused by the COVID-19 pandemic in Pasuruan City.

Economic shock due to COVID-19 is divided into three stages. Firstly, the virus hit employees and their spending. In the informal sector, workers did not receive payment when they were sick. Secondly, to flatten the curve, governments implemented some restrictions, including temporary travel bans, limitation of public transportation, and even business closures. These public-health containment measures nevertheless impact the economy. Thus, and thirdly, limitations economic activity causes an economic downturn. Such a downturn occurred during the Global Financial Crisis (GFC) of 2008 when consumers and businesses worldwide crouched in a wait-and-see mode. A particular downturn was reflected by negative economic growth and declining purchasing manager indices (PMIs). The COVID-19 crisis has struck health and economic systems in several places at the same time. Consequently, all sectors have been affected, although the impact is not equally distributed by the system.⁸ Adapting the well-known circular money flow diagram, the flow disruption anywhere causes a slowdown everywhere because the economy continues running when money continues to circulate through the system.

The COVID-19 pandemic has created an enormous shock to the global economy, possibly on a much larger scale than the GFC that happened more than ten years ago. In the GFC, the shock originated from the subprime mortgage crisis, where it initially affected the demand side before disrupting the supply side. In the current crisis, however, the pandemic simultaneously impacted not only the demand side through lower consumption and investments but also the supply side through lockdown policies that have limited firms’

⁴ Wang C, et al., A novel coronavirus outbreak of global health concern, *Journal of Lancet*, 2020 February, 15;395(10223):470-473, DOI: 10.1016/S0140-6736(20)30185-9.

⁵ Taunton, E., and A. Cropp. 2020, “Coronavirus: Crayfish Not Exported to China to Be Freed.” Stuff, July 4, 2021, <https://www.stuff.co.nz/business/119285477/coronavirus-crayfish-notexported-to-china-to-be-freed>

⁶ Johns Hopkins Coronavirus Resource Center (JHU), <https://coronavirus.jhu.edu/map.html>.

⁷ International Monetary Fund, <https://www.imf.org/en/Publications/WEO/Issues/2020/%2004/14/weo-april-2020>

⁸ Andersen, et al. (2020). Consumer Responses to the COVID-19 Crisis: Evidence from Bank Account Transaction Data, SSRN Electronic Journal, <https://doi.org/10.2139/ssrn.360981>.

production activities as well as labour mobility.⁹ In April 2020, the World Bank estimates that the global economy will contract by 5.2%; contraction that is estimated to be three times worse than the 2009 contraction caused by the GFC. In addition, as the pandemic continues to worsen, economic activity faces perhaps greater pressure, which could lead to lower-than-expected economic growth.¹⁰

For Pasuruan City itself, Covid-19 does not only have an impact on the health sector. However, all sectors have caused many cases of poverty due to the low quality of the economy. First, in terms of health. Where the benchmark for the success of health programs and socio-economic development seen from the life expectancy of the population, improvement in health status shows an increase in the degree of public health through access and quality of health itself through life expectancy. Life expectancy itself has increased to 71.52 years, where previously, it was only 71.40 years. On the other hand, in terms of the Pain Rate, it also increased by 1.70 percentage points in 2019, so that it became 18.04 percent which was initially 16.34 percent in 2018. Moreover, in 2020, it will also increase to 21.16 percent. This increase illustrates that the increase in people experiencing health complaints doesn't match with healthy lifestyle.¹¹ Moreover, in 2020, Pasuruan City was also found to be a city affected by Covid-19. Based on data by the Pasuruan City Health Office, as of July 10, 2021, there were 2281 confirmed cases of the SARS-Cov-2 virus in Pasuruan City, consist of 1783 people who confirmed cured, and 177 died.¹²

Based on data obtained by the National Socio-Economic Survey, in dealing with health complaints, around 51.54 percent of the population took outpatient treatment, and the remaining 48.46 percent did not seek outpatient treatment. The most dominant reason for the residents of Pasuruan City is because most of them experience self-medicating at home by 84.21 percent and feel that their complaints are fine and do not need treatment (13.23 percent).¹³ Based on the data, the author conclude that with issues related to the pandemic, which are widely applied to hoax issues and people seldom select it well, so many Pasuruan City people are reluctant to trust hospitals as a means of optimal health recovery.¹⁴

Other sectors have also received a lot of attention. For example, the education level of the population aged 15 years and over in Pasuruan City until 2020 during the pandemic still requires a lot of attention because there are still so many problems. Based on Susenas data in 2020, the population aged 15 years and over who graduated from elementary school and below is relatively high. 18.99 percent of the population only have an elementary school diploma, and even 18.05 percent do not have a diploma at all. Meanwhile, only 10.58 percent of those completed their education to college.¹⁵ Those aged 15 years and over should have at least an elementary school diploma. All the problems told before, it's none other than the economic conditions affected by the pandemic, which caused many people to drop out of

⁹ Baldwin, R., & Mauro, B. W., (2020), *Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes*, CEPR Press.

¹⁰ World Bank, (2020b), *Global Economic Prospects, June 2020*, <https://doi.org/10.1596/978-1-4648-1553-9>.

¹¹ BPS Kota Pasuruan, *Umur Harapan Hidup Kota Pasuruan* (Pasuruan: BPS Kota Pasuruan, 2020), hlm. 22-24.

¹² Data oleh Dinas Kesehatan Kota Pasuruan tanggal 10 Juli 2021.

¹³ BPS Kota Pasuruan, *Hasil Survei Sosial Ekonomi Nasional* (Pasuruan: BPS Kota Pasuruan, 2020), hlm. 26-27

¹⁴ Vigo, D., et al. (2020), *Mental Health of Communities during the COVID-19 Pandemic*, *The Canadian Journal of Psychiatry*, 65(10), 685. <https://doi.org/10.1177/0706743720926676>.

¹⁵ BPS Kota Pasuruan, *Susenas* (Pasuruan: BPS Kota Pasuruan, 2020), hlm. 39-40.

school. This certainly reduces the quality of Pasuruan's human resources, so that, many people are unemployed and have an impact on poverty.

Sakernas August 2020 data shows that of the 154,895 working-age population in Pasuruan City, around 21,706 workers or 14.01 percent are affected by Covid-19. The most significant impact was a reduction in working hours due to Covid-19 (78.92 percent) then not working because of Covid-19 (12.94 percent), unemployment due to Covid-19 (5.53 percent), and a change from being active in economic activities into the Non-Work Force group because Covid-19 reached 2.60 percent.¹⁶ Based on data, the author can conclude that, although this figure is not as much as those who experienced a reduction in working hours, still, this small number is a number humans feel whose natural rights are already obligated to receive protection from the Government and their rights are protected. So, the problem is not quantity, but the small number, which is still a count of people who get problem from their work due to being affected by the pandemic in Pasuruan City.

Moreover, that small number also has an impact on poverty in Pasuruan City, which has increased. Based on the calculation of the poverty depth index during the 2016 to 2020 period, it fluctuated. In 2016, the Poverty Depth Index reached 1.35 and declined the following year with a score of 0.58 percent. The decline in this index indicates that the average expenditure of the poor is approaching the poverty line, and that the disparity of poor's expenditure is also narrowing. In 2020, amid the pandemic, the poverty index fell to 0.78. It means that the average distance of the poor's spending is getting closer to the poverty line.¹⁷

3.2. The Mechanism of The Reconstruction the Major's Policy in Order to Economic and Poverty Recovery in Pandemic at Pasuruan City East Java, Indonesia

To respond to the crisis caused by the pandemic, the whole world has implemented health-related policies, such as lockdown measures to control the spread of the virus and carry out intensive testing and tracing, as well as economic stimulus policies to limit adverse financial losses. the impact of the pandemic. While the recovery phase is likely to vary across sectors or industries, in general, it will largely depend on two issues: public health policies to limit the spread of the virus and, later, economic policies to mitigate the adverse effects of shocks. Appropriate policy response will not be sufficient for a speedy recovery if the pandemic cannot be controlled, as the pandemic itself will put pressure on economic activity. In Indonesia, the government has implemented several policies to mitigate the impact of COVID-19. For example, it has set up a COVID-19 task force for rapid health response while utilizing military and police forces to assist with logistical response during the lockdown.¹⁸

Meanwhile, the government has used economic policies ranging from budget reallocations to the expansion of social protection programs.¹⁹ To reduce the impact of the pandemic on economic and social activities. While these policies may boost the recovery process, it is essential to note that COVID-19 is not putting new pressures on the economy but only exposing the current economic system. For example, current economic activity depends on fossil fuels, and this dependence leads to increased global greenhouse gas emissions

¹⁶ BPS Kota Pasuruan, *Sakernas* (Pasuruan: BPS Kota Pasuruan, 2020), hlm. 60-61.

¹⁷ BPS Kota Pasuruan, *Susenas Data Kemiskinan* (Pasuruan: BPS Kota Pasuruan, 2020), hlm. 91.

¹⁸ Djalante, et al., (2020), Review and analyze of current responses to COVID-19 in Indonesia: Period of January to March 2020, *Journal of Progress in Disaster Science*, 6, 100091. <https://doi.org/10.1016/j.pdisas.2020.10009>.

¹⁹ ILO, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang-en/index.htm#ID>.

and the potential for a more significant environmental crisis. At the same time, any environmental crisis will also increase the likelihood and impact of future infectious diseases, including future waves of COVID-19.²⁰ Therefore, ensuring a sustainable recovery is essential not only to overcome the devastating effects caused by the COVID-19 pandemic but also to prevent the occurrence of similar crises in the future. The unprecedented crisis due to COVID-19 provides an opportunity for the Government of Indonesia to implement several issues related to the environment and nature. Climate change will remain a significant hurdle even after a virus outbreak.²¹ Therefore, proper handling of the economic crisis due to COVID-19 must also consider the impact of these policies on climate change and other sustainable development goals (SDGs). As the magnitude of this crisis and the government response can affect the economy of the future, it is imperative that governments design and implement sound economic and social policies now. In addition, it is also essential for the parties to come up with a new approach to more effective fiscal policy to help the economic recovery.

In this chapter, the author proposes some frameworks and several alternative approaches that can be implemented by the major during this sustainable recovery period in Pasuruan, however it is hoped that it can be done by all of majors in all the regions in Indonesia. In the following sections, introduce some of the sectors that need to be prioritized by the major during the recovery period. The author also focuses on policies to increase employment opportunities. Next, we recommend strategies on how to increase beneficiaries of social protection programs and to ensure that some credit programs can be more impactful and effective. To address some of the problems with budgetary sustainability, the authors also recommend alternative ways to manage government expenditures and revenues. In the last part of this chapter, the authors offer some staging strategies during this recovery regarding what to prioritize both in the short and long term.

3.3. Determination of what should be prioritized

3.3.1. Low Technology Medical Equipment and Pharmaceutical Products

The importance of the critical, life-sustaining medical commodities and personal protective equipment (PPE) in the time of COVID-19 cannot be overstated, particularly for health workers and hospital staff. Limited supply and its immediate consequences on availability would conceivably cause upward movement in the prices of these commodities. Such increases in prices will, in turn, substantially hamper the ability of the health sector to battle the COVID-19 pandemic. It is very imperative, therefore, that the mayor of Pasuruan City ensure access to these health products, which can be achieved by the major through either: 1) liberalizing the trade for these products; or 2) improving the domestic supply chain to boost national production of the health products. Fortifying supply for these products through both means can help build resiliency and mitigate against the risks of the current crisis (as well as likely future ones). Improving the domestic supply chain can also be helpful should main trading partners turn inward to prioritize their domestic needs, thereby reducing the volume of trade for these products.

²⁰ OECD, (2020), *Building Back Better: A Sustainable Resilient Recovery after COVID-19*.

²¹ Benmelech, E., & Tzur-Ilan, N. (2020). The Determinants of Fiscal and Monetary Policies During the COVID19 Crisis. SSRN Electronic Journal. <https://doi.org/10.2139/ssrn.3634549> .

Development of a domestic supply chain can potentially increase domestic labour absorption, partly due to the labour-intensive nature of the manufacturing industry. In addition, there also remains the potential for Indonesia to promote its domestically produced health products to meet global needs in the time of COVID-19. However, the current situation indicates that Indonesia's health sector still plays a relatively minor role in the overall economic landscape.²² Its development should also be conducted with great caution, particularly regarding environmental and sustainability aspects, as massive production of medical and PPE products has linked to increased waste, which could cause further damage to the already troubled Indonesia environmental landscape.

3.3.2. Promoting a Sustainable Ocean Economy

According to the World Bank, more than 350 million jobs worldwide are directly linked by the government to marine resources, such as fisheries, with 90% of jobs in developing countries. The marine sector accounts for 6.06% of the livelihoods and 4.12% of the workforce. The Organization for Economic Co-operation and Development (OECD) estimates that the gross value added of the global marine economy could grow to around US\$3 trillion and employ more than 40 million people by 2030 under a business-as-usual scenario.²³ As an archipelagic country, Indonesia has vast potential for marine resources. A sustainable marine economy will protect local communities from damage from storms and waves, maintain food security, reduce the impact of climate change, improve air quality, and promote a safe and secure working environment for workers. However, the current policy has not significantly addressed illegal, unreported, and unregulated (IUU) fishing, which has intensified overexploitation at sea. Given that up to 80% of Indonesia's population lives in coastal areas, the marine economic policies should not only boost the local economy but also contribute significantly to achieving Sustainable Development. Goal (SDG) 15 (life under water) by 2030.

3.3.3. Lower-middle and middle-income groups who are more flawed and vulnerable

The survey results show that most households have faced earning losses. In such a dynamic situation, it is imperative to continue identifying and enrolling affected households in social assistance and labour market programs. Such new households could be identified through the on-demand application, community targeting, and then validated through the civil registry and non-conventional data sources such as mobile phones, electricity, bank account.²⁴ The Government of Indonesia has made its best efforts, given the unprecedented scale of the crisis, to introduce previous measures to help workers retain jobs. At the same time, the pandemic is ongoing, combined with measures to create jobs and adjust to new jobs the pandemic subsidies. -measures to curb the spread of the virus by supporting remote working for workers where possible and requiring stricter health and safety standards in the workplace; a subsidy program for workers who have been laid off or have had their wages cut; as well as reskilling and upskilling through the flagship Pre-Employment Card Program

²² Gong, et al., (2020), A balance act: minimizing economic loss while controlling novel coronavirus pneumonia. *Journal of Chinese Governance*, 5(2), 258. <https://doi.org/10.1080/23812346.2020.1741940>.

²³ OECD, (2016), *The Ocean Economy in 2030: The Ocean as a Sustainable Source of Economic Growth*.

²⁴ Karina, N., (2020), Strengthening Indonesia's social protection in the COVID-19 era: Strategy and lessons from evidence. Available at: <https://www.povertyactionlab.org/blog/11-20-20/%20strengthening-indonesias-social-protection-covid-19-era-strategy-and-lessons-evidence>(Accessed: July, 7th 2021).

(*prakerja*), which is also a dual action to distribute assistance to informal workers and entrepreneurs affected by COVID-19.

These measures align with good policies implemented globally and in peer countries to dampen the negative impact and encourage a speedier labour market recovery.²⁵ Some additional considerations for workers in the formal sector could include an extension or increased paid sick-leave entitlement to allow workers to self-isolate (such as in South Korea, the US, France), and the regulations to restrict collective or individual dismissals (Turkey, Spain, and France). Job search and job placement measures could also be an avenue for reaching out to Indonesia's informal workers and or supporting the transition to the formal sector in the aftermath of the crisis. France, Germany, and Netherlands are examples of countries that have introduced online tools to connect displaced workers with vacancies and or promoted existing online job-matching platforms. Finally, workers who need to care for children and, or other family members can be supported by extending parental leave (for formal sector workers) or safe and affordable childcare services to those who need them.²⁶

3.4. The way to implementation

3.4.1. From the Demand Side

Employment promotion from the demand side of the labour market should be focused by the major on keeping firms from exiting, maintaining current levels of employment (and increasing employment opportunities), and ensuring inclusiveness of worker protections. The policies could be in the form of (1) tax incentives, loan interest subsidies, and credit restructuring to the firms (including micro, small, and medium enterprises) to jumpstart their activities; (2) employment and income provision for the furloughed (unpaid leave) workers to make sure that the workers have a decent livelihood and to prevent them from falling into poverty; and (3) inclusive protection for the workers, both in terms of social protection and employment agreement.

PEN, as stated in Presidential Decree no. 23, the year 2020 (PP 23/2020) is ultimately important for the MSMEs, since the program covers 60.66 million MSMEs (Ministry of Finance Republic of Indonesia, 2020) through loan-interest subsidies to jumpstart their business activities. Among MSMEs, this program is particularly significant for ultra-micro and micro enterprises, MSMEs that only rely on physical (offline) stores, and MSMEs in educational service, information and communication, and transportation and storage services sectors (since they are impacted the most by COVID-19).²⁷ The program is expected by the ministry to have a considerable impact on employment and economic activity. Overall, since 43 percent of workers (54.7 million) are working in MSMEs. Precisely, 23 percent of workers are working in micro-enterprises in 2019.²⁸ Hopefully, it

²⁵ Bluedorn, J., (2021), Working out the Differences: Labour Policies for a Fairer Recovery, IMF Blog, Available at: https://blogs.imf.org/2021/03/31/working-out-the-differences-labor-policies-for-a-fairer-recovery/?utm_medium=email&utm_source=govdelivery (Accessed: July, 7th 2021).

²⁶ ILO & OECD, (2020), The impact of the COVID-19 pandemic on jobs and incomes in G20 economies. Available at: https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/multilateral-system/g20/reports/WCMS_756331/lang-en/index.htm (Accessed: July, 7th 2021).

²⁷ LIPI, (2020), Survei Dampak Pandemi COVID-19 Terhadap Kinerja Usaha Mikro Kecil Menengah Indonesia: Mitigasi dan Persiapan Pemulihan. Retrieved from https://drive.google.com/drive/folders/1TkC_p4SO5rvYDcU_4yyZb1O1Vxc0GD9w.

²⁸ Mandiri Institute, (2020), *UMKM di Tengah Pandemi Covid-19: Analisa Sektorial dan Rekomendasi Kebijakan Stimulus Fiskal*.

can be used by the major to coordinate with the MSM to optimize it well by adding this to Regional Revenue and Expenditure Budget (APBD) as the operational budget listed.

Instead of laying off workers due to the pandemic, the government can also help businesses and workers by retaining staff through specific income provisions. In a normal situation, employment retention and income provision programs are helpful to reduce the cost of finding and training new employees. During the COVID19 pandemic, this program is helpful in maintaining workers' livelihoods, as well as for helping businesses reduce costs and stay solvent. The United Kingdom and Malaysia provide great examples of how this program could work during the pandemic. The United Kingdom, through "Coronavirus Job Retention Scheme" (CJRS), allows businesses to claim a certain amount of money from the government to subsidize employees' monthly salaries.²⁹ The amount of salary subsidy given to the businesses decreases as the economy recovers. The main requirement for the business to take part in this scheme is that it has furloughed employee(s) from March 1 to June 30, 2020, for the current period (before July 1). Workers with all categories of visas categories (including immigrants and expatriates) can also covered under this scheme. The government could cover up to 80 percent of the workers' monthly salaries for the initial months the employee is furloughed (temporary unpaid leave). When the economy starts to recover, the share of the salary subsidy given by the government to the businesses would eventually decrease.

Malaysia also has a similar program called "The Employment Retention Program" or ERP.³⁰ This program provides income provisions to workers who have agreed to take unpaid leave due to downturns due to COVID-19. In this program, only private-sector employees can claim this benefit, including temporary workers. Employees who are eligible for this scheme are also limited to those whose monthly income is equal to or less than MYR4,000 and those who got notice of unpaid leave for at least thirty days from March 1, 2020, for a period of one to six months. During the COVID-19 pandemic, the Government of Indonesia, through the Ministry of Manpower (MoM), could use the existing program to protect workers impacted by the pandemic from loss of wages during unemployment and give them a decent livelihood. For instance, existing programs such as pension plans/insurance could be used by the workers to implement employment retention programs in Indonesia until COVID-19 is no longer considered an emergency or non-natural disaster. The duration and the number of salary subsidies given to affected businesses can vary—from one to six months—depending on the overall budget and condition of the economy, i.e., whether it is stagnating or recovering. In the future, as a sustainable instrument to provide a livelihood for these workers, the government could design an unemployment insurance scheme that allows recently unemployed workers to receive enough money to cover their monthly expenses during their period of unemployment.

Before the COVID-19 pandemic, the coverage of social protection programs is already low among workers in Indonesia. In 2019, only 49.1 percent of employees and casual workers were covered by health insurance, only 43.5 percent were covered by work accident

²⁹ Government of the United Kingdom, (2020), Coronavirus (COVID-19): Guidance and support. Retrieved August 2, 2020, from <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-schem>.

³⁰ BDO, (2020), COVID 19: The Employment Retention Programme. Retrieved August 2, 2020, from <https://www.bdo.my/en-gb/insights/featured-insights/covid-19-the-employment-retention-programm>.

insurance, and only 33.9 percent were covered by death insurance.³¹ For the employees, less than one in three employees are covered by old-age insurance or pension insurance. It is also to the fact that the best insurance is only for workers with permanent (PKWTT) or temporary (PWKT) employment agreements. Those with informal (verbal) or no employment agreement are less likely to have insurance. Only one out of twenty workers with informal (verbal) employment agreement have health insurance or work accident insurance. The coverage is only less than 5 percent for other types of insurance among workers with informal (verbal) informal employment agreements. Less than half of the workers have formal employment agreements: only 18.6 percent of workers have permanent employment agreements (PKWTT), and 27.4 percent have temporary employment agreements (PKWT).

These imply that more than half of workers in Indonesia are not covered by proper protection, from legal protections related to minimum wage and decent work policies to insurance and social protections. During COVID-19, the number of workers who are not adequately covered by health and employment protection increases as job losses mount. To make worker protection more inclusive, the government launched many social protection programs during the pandemic, including coverage improvement programs such as staple food (Sembako), conditional cash transfers (PKH), and direct cash transfers through village funds (BLT-DD) for those living in rural areas. rural.³² Ministry of Finance has allocated IDR 3 trillion to subsidize national health insurance premiums for over 14 million non-salaried workers (Pekerja Bukan Penerima Upah) who enrolled in Class III (the lowest class of healthcare service) in response to the pandemic in which the subsidy, and the Ministry of Finance will pay it to BPJS Kesehatan. Ministry of Manpower and Coordinating Ministry of the Economy have also implemented Pre-Work Card (Kartu Prakerja) as a means for unemployed workers and first-time job seekers to receive training. Nevertheless, the pre-work card program is currently on hold due to administrative and eligibility issues. In the future, the government could intensify and extend existing social and employment protection programs for workers. A good start would be increasing the coverage of health, work accident, and death insurance for both salaried and non-salaried workers and workers with both formal and informal employment agreements. To reinforce legal protections for workers, the government could also design a mechanism in which any worker can get a proper, formal employment agreement. It's to ensure that the workers do not lose their rights and perform their responsibilities accordingly.

3.4.2. From the Supply Inside

Employment promotion from the supply-side involves the workers themselves. In general, the goal of supply side employment the promotion is to enhance the quality and adaptability of workers in the labour market. While labour force participation of the fifteen-year-old and older demographic has stagnated at around 65 percent to 70 percent in the past twenty years,³³ most workers still only have six years of education or less, indicating that the quality of workers available in the labour market is still low. There are three

³¹ According to Sakernas 2019 (August), it was calculated by authors.

³² Gentilini, et al., (2020) Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. Retrieved from <http://documents1.worldbank.org/curated/en/590531592231143435/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-June-12-2020.pdf>

³³ World Bank database: National estimates of LFPR 15+ (Total) for Indonesia.

recommendations for promotion of employment through workers: (1) increase access to secondary and tertiary education; (2) enhance the quality of education; and (3) provide training and education for workers and everyone over the lifecycle.

To extend the access to education, mainly for secondary and tertiary education, it needs to be increased to have more educated workers in the labor market in the future. To achieve this goal, the government first needs to identify whether the low GER for secondary and tertiary education caused by the lack of school or teacher availability (supply side) or the willingness of the people or students to pursue higher levels of education (demand side). Identifying this problem is essential in coming up with the right policy to increase access to education and improve GER for secondary and tertiary education.³⁴ If the problem lies on the supply side, the government can strengthen existing policies to increase the availability of schools and, or teachers. If the problem lies on the demand side, then the government can expand existing programs related to expanding access to education, such as the School Operational Assistance (BOS) or the Smart Indonesia Program (PIP), which helps students to go to school by providing them with the necessary equipment (such as bags and school supplies).

Alternatively, there could be mandatory schooling for school-age children from the poorest households through a conditional cash transfer (PKH) program to prevent them from becoming child laborers to help their household make ends meet.³⁵ As the return of investment in the education sector takes years to realize, investment increasing access to secondary and tertiary education needs to be implemented by the government as early as possible. Indonesia could have more educated and more productive workers available in the labor market and thus create sustainable growth in the future.

As Indonesia realizes the potential of its education sector in recent years, now that more educated workers are available in the labour market, the policy to increase quality and enhance the adaptability of workers continues. Despite the “quantity” of students enrolled, education from primary to tertiary level has been improving over the years; however, the “quality” of education in Indonesia is still lacking compared to other countries. According to Programme for International Student Assessments (PISA) 2018, Indonesian students scored lower in mathematics, reading, and science than the OECD average.³⁶ Only 30 percent of students have level-2 proficiency or higher in reading (OECD average: 77 percent), 28 percent have level-2 proficiency or higher in mathematics (OECD average: 76 percent), and 40 percent have level-2 proficiency or higher in science (OECD average: 78 percent). Furthermore, Indonesian students lost three to four years of schooling on average in the context of learning. For example, people with nine years of schooling in Indonesia have the same capability as people with five or six years of schooling in overall students surveyed in PISA.³⁷ Furthermore, there has been no significant learning progress between Indonesian children’s cohorts in the past fifteen years despite improved school enrolment. The

³⁴Hong, H., Li, F. W., & Xu, J., (2019), Climate risks and market efficiency. *Journal of Econometrics*, 208(1), 250. <https://doi.org/10.1016/j.jeconom.2018.09.015>

³⁵ World Bank, (2017), *Learning for All: Towards Quality Education for Enhanced Productivity & Economic Growth in Indonesia*. Jakarta.

³⁶ OECD, (2019), *Programme for International Student Assessment (PISA) Results from PISA 2018: Indonesia Country Note*. Retrieved from https://www.oecd.org/pisa/publications/PISA2018_CN_IDN.pdf.

³⁷ Filmer, et al., (2020), Learning-adjusted years of schooling (LAYS): Defining a new macro measure of education. *Journal of Economics of Education Review*, 77, 101971.

government has implemented education policies that address this issue. In 2005, the government implemented teacher reform to improve the national education system in Indonesia.³⁸ One of the policy packages is to make teacher certification mandatory. Furthermore, when the teacher has achieved a specific certification, the government will double the teacher's salary to inspire the teacher to perform better and thus increase the quality of education delivered in the class.³⁹

However, doubling of teacher's salaries are not effective in improving the quality of education, as measured by a student's test scores over the three years of study. However, it is increasing overall teacher satisfaction and making him less likely to hold more than one teaching job.. To improve the quality of education in Indonesia, the government through the Ministry of Education must also focus from "quantity" to "quality" of education through reform of the education system. The government must implement some policies in developed countries by reducing the teacher-student ratio, making the learning curriculum not only student learning but also encouraging the use of logic for problem-solving instead of memorizing and only study on standard textbooks. This approach also emphasized the well-being, interest, and talent of the students.⁴⁰

Education is not only crucial for those who are school age but also for those who have already graduated from formal educational institutions. The journey of formal education is begun in elementary school and goes to high school or higher. People usually spend twelve years of schooling before graduating from high school or spend sixteen years of schooling to graduate from university with a bachelor's degree. Some people even pursue master's degrees and doctoral degrees, where they dedicate up to twenty-two years of their lives to formal education. Nevertheless, formal education is not enough to enhance the quality and adaptability of workers in the labour market. Informal education, in the form of regular or irregular training, conducted by a private party or the government from the cradle to the grave, needs to be prioritized in the sustainability agenda, as this can facilitate skilling, upskilling, and reskilling of workers over their lifecycle in response to fluctuating labour market and the economy in general. COVID-19 has undoubtedly changed how jobs done. With lockdowns and social restrictions in place, many workers ordered to work from home. Some of the jobs available in the labour market will do remotely. World Bank⁴¹ estimates that only 21 percent of jobs remotely in Indonesia, while 37 percent in the United States. The general government and finance sectors in Indonesia have the highest proportion of work that will do remotely. In contrast, Indonesia's agriculture, construction and tourism sectors have the lowest percentage of remote work. In addition, workers with "employee" status and in the highest income brackets have a higher percentage of work that that will do remotely. The demand for flexible and highly adaptable workers will apply not only in the context of COVID19 but also in the context of future structural transformations in the economy as well as in the changing nature of work itself. As the economy shifts from the traditional low-productivity sector to the modern a high-productivity sector, workers are considered to have information and technology literacy: they must be able to perform simple

³⁸ Undang-Undang Nomor 14 Tahun 2005 (Constitution 14/2005) about Teacher and Lecturer

³⁹ Beatty, et al., (2018), *Indonesia Got Schooled: 15 Years of Rising Enrolment and Flat Learning Profiles*.

⁴⁰ De Ree, et al., (2018), Double for Nothing? Experimental Evidence on an Unconditional Teacher Salary Increase in Indonesia. *The Quarterly Journal of Economics*, 133(2), 997.

⁴¹ World Bank, (2020), *Indonesia Economic Prospects, July 2020: The Long Road to Recovery*. Retrieved from <https://openknowledge.worldbank.org/handle/10986/34123>

tasks that require the use of computers and the internet, as well as complex ones. - ability to solve.

In addition, workers expected to have alternative work arrangements now. For example, they have not only one regular job but also implement two or more jobs, as temporary “show” jobs. In the United States, the trend of “gig” jobs, which include on call workers, temporary agency workers, contract workers, and independent workers has increased over the past few years, and these jobs are also characterized by intensive use of the internet.⁴² Training and education outside formal schools need to be provided to workers in all age groups to increase the capacity and capability of workers in the future and to anticipate changes in the nature of work. Massive Online Open Course (MOOC) platforms, such as edX, Coursera, and Udacity, have paved the way to lifelong learning for everyone. Everyone can take courses for self-development without formal registration to a formal educational institution. In Indonesia, the Pre-Employment Card (Kartu Prakerja) can develop the skilling, skills and upgrading required by workers throughout their life cycle. If facilitate lifelong learning, workers can have more flexible options and can quickly adapt to the fluctuating labour market situations they will face in their lives.

IV. Conclusions and Recommendation

Based on the previous discussion, the conclusion is that the pandemic has a direct impact on increasing the poverty rate in Pasuruan City. Although various policies from regional heads have been implemented based on policies that have been set by the central government, these still do not accommodate the economy and poverty reduction in Pasuruan City. Thus, it is necessary to reconstruct policies that have been implemented and then replaced with better ones. Where the steps from the demand side themselves could be in the form of (1) tax incentives, loan interest subsidies, and credit restructuring to the firms (including micro, small, and medium enterprises) to jumpstart their activities; (2) employment and income provision for the furloughed (unpaid leave) workers to make sure that the workers have a decent livelihood and to prevent them from falling into poverty; and (3) inclusive protection for the workers, both in terms of social protection and employment agreement. As for the supply side, efforts can be made by (1) increasing access to secondary and tertiary education, (2) enhance the quality of education, and (3) provide training and education for workers and everyone over the lifecycle.

⁴² Katz, L. F., & Krueger, A. B., (2019), The Rise and Nature of Alternative Work Arrangements in the United 97 States, 1995–2015. *ILR Review Journal*, 72(2), 385.

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