
The Job Loss Insurance Program as a Government Policy Response to Address the Impact of National Economic Fluctuations and Layoffs

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Abstract

Fluctuations in the national economy caused by several things, such as a decline in economic growth, the global economic crisis, and the COVID-19 pandemic, often lead to layoffs (PHK). Layoffs have various negative impacts on life, such as depression, mental health, financial problems, social relationships, decreased physical health, and impacts on careers. The JKP program is one of the policies to overcome these negative impacts. The JKP program is designed to provide financial support, job training, and access to labor market information for laid-off workers, to reduce the social and economic impact of layoffs and help workers return to the labor market with better skills. This research aims to explain the JKP program as a response to government policy in overcoming the negative impacts of layoffs. This research uses a qualitative and quantitative descriptive approach. The implementation of the JKP program has shown positive results, such as increasing people's purchasing power and contributing to economic recovery. However, its implementation has several challenges, including infrastructure, technical problems and uneven socialization. Periodic program evaluation is needed to address this problem and ensure the long-term effectiveness of the JKP program. This article also emphasizes the importance of collaboration between government and industry in improving the relevance and quality of vocational training. It is hoped that the JKP program can continue to adapt and improve protection for workers in Indonesia, thereby providing better economic and social stability

Keywords: economic fluctuations, layoffs, job loss programs, job market information, job training.

1. Introduction

Layoffs of Employment (PHK) in Indonesia is a phenomenon that often occurs in line with the dynamics of the national economy. Layoffs usually increase during difficult times when the economy experiences pressure, both from internal and external factors. One of the main factors causing layoffs in Indonesia is the decline in economic growth. Global economic crises, such as the financial crisis in 2008 and the COVID-19 pandemic in 2020, have had a significant impact on the Indonesian economy. The COVID-19 pandemic has had a broad and deep economic impact in Indonesia. Social restrictions and lockdowns have caused many companies, especially in the tourism, hospitality, transportation, and retail sectors, to have to stop operations or reduce the number of their workforce. This impact was felt across all levels of society and economic sectors, resulting in a large wave of layoffs. The informal sector, which is very large in Indonesia, has also been greatly affected by the pandemic. Many workers in this sector have lost their livelihoods without adequate social security. This worsens the community's economic condition, especially those already vulnerable.

The decline in global demand has resulted in a decrease in exports, one of the country's main sources of income. This had an impact on the company's income decreasing, so they were forced to lay off workers to reduce operational costs. Indonesia is also very vulnerable to fluctuations in global commodity prices, such as oil, gas, and palm oil. As a country that relies on commodity exports, a decline in commodity prices can drastically reduce company income, ultimately prompting layoffs to maintain business continuity.

At certain times, the government may have to implement fiscal tightening policies to reduce the budget deficit. These policies often result in reduced government spending, which can result in workforce reductions in the public sector and infrastructure projects. This reduction in government spending, although aimed at maintaining fiscal stability, could significantly increase layoffs. Additionally, tight monetary policies to control inflation, such as increasing interest rates, can reduce investment and consumption. This decline in investment and consumption has a direct impact on the performance of companies, which may carry out layoffs as a final step to maintain the continuity of their operations. These policies, while necessary for maintaining macroeconomic stability, often have severe consequences for the labor market.

Layoffs have various negative impacts on life, such as depression, mental health, financial problems, social relationships, decreased physical health, and impacts on careers (Dew et al, 1992; Dooley et al, 1996; Hagen, 1983; Price et al, 2002, Speer, 2017). To overcome the negative impact of layoffs, the Indonesian Government issued several policies such as economic stimulus through the fiscal stimulus package and the National Recovery Program (PEN), social assistance programs in the form of Direct Cash Assistance (BLT) and the Family Hope Program (PKH), vocational training and improvement skills, support for MSMEs such as capital assistance through People's Business Credit (KUR) and tax incentives, as well as social security protection in the form of the program of Job Loss Guarantee (JKP).

The JKP program is part of a broader social protection policy that aims to provide a safety net for workers who lose their jobs. This program provides benefits in the form of cash, access to job training, and access to job market information. The main objective of JKP is to maintain a decent standard of living for workers who have lost their jobs, help them meet the basic needs of life, and provide opportunities to return to the job market with better skills. By combining these various forms of support, the JKP program is expected to reduce layoffs' social and economic impact and help workers return to the job market more quickly and effectively.

2. Research Methods

This research uses a qualitative and quantitative descriptive approach to explore or photograph social situations comprehensively, broadly, and in-depth. In the quantitative descriptive approach, the data analyzed is macroeconomic data and data such as GDP, Industrial and Medium Employment, as well as data on layoff cases in Indonesia. In the qualitative descriptive approach, literature studies were carried out from several previous studies to enrich the analysis results.

3. Results and Discussion

3.1. The Relationship Between the Layoffs and the Economy

3.1.1. The Influence of Economic Condition and Layoffs

Economic conditions have a significant influence on the level of layoffs in a country. As the economy grows, demand for goods and services increases, encouraging companies to increase production and hire more workers (Laski, 2019). Under these conditions, the layoff rate tends to decrease. Indonesia's high economic growth in recent years has driven demand for labor. Conversely, when the economy slows down or experiences a recession, demand for goods and services decreases. Companies may experience declines in revenue and profitability, which often leads to workforce reductions through layoffs to lower operating costs. Labor market conditions in each industry influence the likelihood that a worker will fall into unemployment and that an unemployed worker will find a new job (Bazzani et al., 2018).

Indonesia's economic conditions have fluctuated in the last four years. In fact, between TW-II 2020 and TW-I 2021, Indonesia experienced an economic slowdown. Some of the reasons are the impact of the COVID-19 pandemic, high global inflation, the geopolitical tensions of the Russia-Ukraine war, and increasingly tight global monetary policy, causing the adaptation of the Indonesian economy in 2023 to continue (Employment Outlook 2024). As a country rich in natural resources, Indonesia highly depends on commodity exports such as oil, gas, and palm oil. Fluctuations in commodity prices can affect the stability of related sectors. A decrease in

commodity prices can reduce company income and encourage layoffs, whereas an increase in prices can increase revenue and create new jobs.

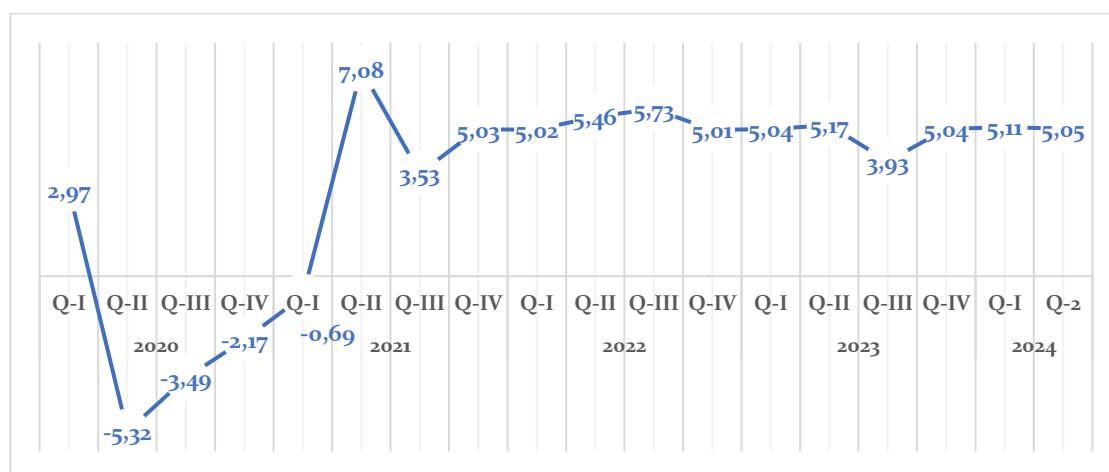


Figure 1. National Economic Growth 2020-2024

Source: Central Statistic Department (2024)

In 2020, economic growth experienced significant fluctuations. In the first quarter (Q-I), growth was recorded at 2.97%, but decreased sharply to -5.32% in the second quarter (Q-II) due to the initial impact of the COVID-19 pandemic. This condition continued to worsen with growth of -3.49% in the third quarter (Q-III) and -2.17% in the fourth quarter (Q-IV).

Entering 2021, economic growth is starting to show improvement. Even though it was still negative in the first quarter (Q-I) with -0.69%, growth jumped significantly to 7.08% in the second quarter (Q-II). However, growth in the third quarter (Q-III) decreased to 3.53%.

In 2022 shows a more stable positive trend. Economic growth was recorded at 5.03% in the first quarter (Q-I), decreased slightly to 5.02% in the second quarter (Q-II), and increased to 5.46% in the third quarter (Q-III). In the fourth quarter (Q-IV), growth increased to 5.73%.

In 2023 economic growth will be relatively stable, although it will decline slightly in the first quarter (Q-I) to 5.04%. The second quarter (Q-II) showed growth of 5.17%, but fell again in the third quarter (Q-III) to 4.94%. In the fourth quarter (Q-IV), growth rose slightly to 5.04%.

Projections for 2024 show stable economic growth at 5.11% in the first quarter (Q-I) and decrease slightly to 5.05% in the second quarter (Q-II). Overall, this graph depicts a significant national economic recovery after a drastic decline in 2020, with a growth trend that tends to be stable and positive from 2021 to 2024.

Table 1. Number of Large and Medium Industrial Workers by Sub-Sectors [KBLI 2020]

Sub Sector KBLI 2 Digit	2017	2018	2019	2020	2021
10 Food	1.042.575	1.005.612	1.014.886	989.066	989.741
11 Beverage	94.080	93.392	94.412	83.397	91.205

12 Tobacco Processing	323.380	290.871	297.722	287.889	246.587
13 Textiles	650.212	629.298	581.235	519.299	391.007
14 Apparel	856.636	763.314	797.947	695.920	749.183
15 Leather, Leather Goods	425.376	391.200	483.543	444.256	568.552
16 Wood, Wooden Items	286.442	257.783	258.103	243.589	249.692
17 Paper and Paper Products	170.233	145.478	150.614	140.241	160.494
18 Printing	83.753	63.873	79.933	70.342	65.817
19 Products from Coal, Petroleum	23.791	31.123	18.596	23.760	21.679
20 Chemicals, Chemical Goods	233.765	221.738	233.245	242.461	254.976
21 Pharmacy, Chemical Medicine,	88.218	94.087	85.880	86.194	83.532
22 Rubber, Rubber, and Plastic Goods	499.789	442.841	454.384	440.403	443.344
23 Non-Metal Excavated Items	224.120	209.636	211.917	191.999	180.767
24 Basic Metals	124.335	139.841	133.919	156.394	155.596
25 Metal Items, Not Machines	199.993	173.062	171.080	181.324	180.635
26 Computers, Optical Electronics	187.446	148.109	142.152	130.589	136.101
27 Electrical Equipment	149.015	154.970	158.498	134.255	136.154
28 Machinery and Equipment etc.	106.291	93.950	86.288	87.118	89.381
29 Motor Vehicles, Trailers	234.455	248.614	247.570	257.067	257.376
30 Other Types of Transportation	142.655	106.337	133.177	104.291	117.152
31 Furniture	211.664	184.358	182.936	160.378	172.209
32 Other Processing	217.537	208.447	194.885	205.646	222.182
33 Repair Services, Machine Installation	39.193	25.251	28.199	26.489	30.204
Total	6.614.954	6.123.185	6.241.121	5.902.367	5.993.566

Source: BPS, 2017-2021

Table 1 shows that the overall number of workers decreased from 6,614,954 in 2017 to 5,902,367 in 2020 before increasing slightly to 5,993,566 in 2021. In the food sub-sector, workers fluctuated from 1,042,575 in 2017, decreased slightly in 2018, and decreased again from 2019 to 2021. The beverage sub-sector experienced a sharp decline in 2020, with workers amounting to 83,397, but recovered to 91,205 in 2021. Tobacco processing experienced a significant decline from 323,380 in 2017 to 246,587 in 2021.

The apparel sub-sector experienced a drastic decline in 2020 with 695,920 workers, before increasing to 749,183 in 2021. Wood, wooden goods, and other sub-sectors also showed a decline and a slight increase in 2021, with 249,692 workers.

Other sub-sectors, such as chemicals, pharmaceuticals, and rubber goods, showed a similar trend, with a decrease in 2020 and a slight increase in 2021. The motor vehicle sub-sector gradually increased from 234,455 in 2017 to 257,376 in 2021.

Overall, although several sub-sectors showed recovery in 2021, employment in large and medium-sized industries remained lower compared to the early years of the period under review. The source of this data is BPS, 2017-2021.



Figure 2. Number of Workers laid off in 2016-2023

Source: Directorate General of PHI & Social Security, Ministry of Manpower (2023)

Figure 2 shows that in 2016, the number of workers laid off was 33,609. This figure decreased slightly in 2017 to 32,246 people and continued to decline to 27,687 people in 2018. In 2019, the number of workers laid off again significantly reduced to 18,911 people. However, in 2020, there was a drastic increase in layoffs, reaching the highest peak in this period, namely 386,877 people, most likely caused by the impact of the COVID-19 pandemic. After this peak, the number of workers who were laid off decreased sharply to 127,085 people in 2021 and further decreased to 25,114 people in 2022. However, in 2023, the number increased again to 64,855 people.

Table 2. Laid-off Workers January - July 2024

January	February	March	April	Mei	June	July
3.332	7.694	12.395	18.829	27.222	30.275	42.863

Source: Directorate General of PHI & Social Security, Ministry of Manpower (2024)

Table 2 shows that in January, the number of workers laid off was 3,332. This number increased significantly in February to 7,694 people and continued to rise in March to 12,395 people. In April, layoffs increased more sharply, reaching 18,829 people. This upward trend continued in May, with the number of workers being laid off as many as 27,222 people. The increase continued in June when the number of workers laid off reached 30,275 people. The highest peak occurred in July, with the number of workers laid off reaching 42,863 people. This data shows a significant upward trend in layoffs from early to mid-2024. The source of this data is the Directorate General of PHI & Social Security, Ministry of Manpower (2024).

Government economic policy also plays an important role in determining the level of layoffs. Fiscal and monetary policies implemented to manage budgets and monetary controls can influence the level of layoffs. For example, fiscal tightening policies that reduce government spending may result in workforce reductions in the public sector and related projects. Conversely, fiscal stimulus policies can increase employment. Changes in trade policy, such as the implementation of tariffs or protectionist policies, can also affect domestic industries and the

level of layoffs. Policies that support exports can create jobs, while policies that hinder international trade can lead to layoffs.

Economic growth will encourage investment value. With investments made by both the government and the private sector, production activities will increase, which can create jobs and community income (Tambunan, 2020). Because one solution to reducing unemployment is to create job opportunities (Surindra et al., 2021). Foreign direct investment is a significant source of economic development, modernization, and growth in production, exports, employment, and income (Marjanović & Domazet, 2021). Foreign direct investment has created new jobs and regional development.

Globalization has a significant impact on the labor market. Globalization has created new job opportunities in the export and import sectors (Blanton & Blanton, 2016). Globalization also increases international competition. Companies that are unable to compete with efficiency and innovation can experience a decline in performance and are forced to lay off workers to stay afloat. On the other hand, companies that succeed in increasing their global competitiveness can expand their markets and employ more workers. Free trade has increased competition in the labor market and increased productivity (Ehrenberg & Smith, 2017). Technological changes, such as internet developments and digitalization, also have an impact on employment. Technology has created new jobs and changed the skills needed for work (Deming & Noray, 2018).

3.1.2. The Impact of Layoffs on the Economy

Employment has a strong positive impact on economic growth in all countries (Pandian, 2016). Layoffs have far-reaching impacts, not only on the individuals who lose their jobs but also on the economy as a whole. Layoffs result in increased unemployment which in turn reduces household income. This decrease in income causes a decrease in household consumption, which is the main component of Gross Domestic Product (GDP). Decreasing consumption can slow economic growth. In addition, the decline in household consumption has a chain effect on the economy. When consumption falls, demand for goods and services also declines, which can cause other companies to experience reduced revenues and possibly additional layoffs, creating a vicious cycle that worsens economic conditions.

High layoff rates can also lead to social instability. High unemployment can increase levels of poverty, crime, and social dissatisfaction, which can have a negative impact on the investment climate and political stability. Increased layoffs and unemployment have also increased the country's social security system burden. The government will have to increase spending on social assistance, unemployment benefits, and job training programs, which could add to the budget deficit. In addition, layoffs can result in decreased productivity because companies need more skilled and experienced workers. This can disrupt the production process and reduce the quality of products and services. Companies forced to lay off may also minimize research and development (R&D) investment, hindering innovation and long-term competitiveness.

Mass layoffs could reduce consumer and business confidence. Consumers are worried that job security may reduce spending while companies may delay investment and expansion. A high layoff rate can also affect financial market sentiment. Shares of companies that undergo significant layoffs may experience a decline in price as investors worry about the company's prospects.

3.1.3. The Impact of the Global Economy on Layoffs in Indonesia

The financial crisis that hit Asia in the late 1990s resulted in a severe economic recession in Indonesia. Many companies experienced financial difficulties, resulting in mass layoffs. The impact was felt in the banking, manufacturing, and service sectors. The Indonesian government responded with an economic rescue package and banking restructuring, but recovery took several years.

The global financial crisis in 2008-2009 also had a significant impact on the Indonesian economy, although it was not as bad as the previous Asian crisis. The decline in global demand resulted in a decline in exports and production, which triggered layoffs in the manufacturing and mining sectors. The fiscal and monetary stimulus policies implemented by the Indonesian government helped accelerate economic recovery and reduce the negative impact of layoffs.

The COVID-19 pandemic has had a broad and deep economic impact, causing a wave of layoffs in various sectors such as tourism, hospitality, transportation and retail. Social restrictions and lockdowns have caused many companies to stop operations or reduce their workforce. The Indonesian government responded with an economic stimulus package, social assistance, and job training programs to support those affected by layoffs and accelerate economic recovery.

3.2. Policies of Developed and Developing Countries in Overcoming Layoffs and Their Impact on the Economy

Layoffs are a phenomenon that affects not only the lives of workers but also the stability of a country's economy. Developed and developing countries face challenges in dealing with layoffs, and they adopt various policies to address the resulting social and economic impacts. Case studies on Japan, South Korea, and Australia as representatives of developed countries and Malaysia and Thailand as representatives of developing countries provide an overview of the strategies used and their impact on the economy.

3.2.1. Policy of Developed Countries

Japan is known for its lifetime employment system and strong work culture. The Japanese government encourages companies through wage subsidies and job training programs to avoid layoffs. Wage subsidies are provided to help companies cover some of the costs of workers' salaries, thereby reducing the need for layoffs. In addition, Japan invests heavily in research and development (R&D) to create new jobs and encourage innovation in the high-tech and manufacturing sectors. This policy aims to ensure the workforce remains relevant to the industry's

needs that continue to develop. The economic impact of this policy has been very positive, helping to maintain economic stability and low unemployment rates. Wage subsidies and job training increase labor productivity and adaptability to technological change, which in turn increases the competitiveness of the Japanese economy.

The South Korean government offers wage subsidies to prevent layoffs, especially during economic crises. The program is designed to help companies cover a portion of the wages of affected workers to maintain their workforce. In addition, South Korea is increasing labor market flexibility through short-term work contracts and a part-time work system. These reforms aim to make the labor market more responsive to economic changes. Wage subsidy policies succeeded in reducing unemployment rates during the crisis, while labor reforms increased economic competitiveness and encouraged growth in the services and technology sectors.

During the COVID-19 pandemic, the Australian government introduced the JobKeeper Payment program, providing financial assistance to companies to retain workers. This program helps companies cover part of workers' salaries during the crisis period. In addition, the government provides retraining (reskilling) and skills improvement (upskilling) programs for workers affected by layoffs. This aims to increase the workforce's adaptability to changes in the job market. The economic impact of the JobKeeper Payment program has been significant, helping to stabilize unemployment levels and supporting economic recovery. Retraining programs improve the workforce's adaptability so they are better prepared to face changes in the job market.

3.2.2. Developing Countries Policy

The Malaysian government offers financial assistance and social security for workers affected by layoffs. The program includes unemployment benefit payments and temporary cash assistance aimed at helping workers meet basic needs during the transition period. In addition, the government provides new skills training and apprenticeship programs to increase workforce competitiveness. It includes a variety of programs designed to provide skills relevant to industry needs. The economic impact of this policy is very positive, as it reduces the social effects of layoffs and encourages increased labor productivity. However, challenges still need to be addressed regarding the implementation and effectiveness of training programs, especially in ensuring that the training meets the labor market's needs.

The Thai government provides wage subsidies and social assistance to workers affected by layoffs, especially in the tourism and manufacturing sectors. This assistance is designed to ease workers' financial burden and help them survive during times of crisis. In addition, the government is encouraging the development of new industries, such as digital technology and renewable energy, to create new jobs. This initiative aims to diversify the economy and reduce dependence on sectors that are vulnerable to economic fluctuations. Wage subsidies help keep unemployment rates low during the crisis, while investment in new industries opens up job

opportunities and economic diversification. This helps create a more resilient and sustainable economy.

3.2.3. The Influence of Policy on the Economy

The policies adopted by developed and developing countries to deal with layoffs have a significant impact on their economies. Developed countries such as Japan, South Korea, and Australia have managed to maintain low unemployment rates and increase economic competitiveness through wage subsidies, labor reforms, and investment in skills training. This policy not only helps reduce the social impact of layoffs but also encourages long-term innovation and productivity.

On the other hand, developing countries such as Malaysia and Thailand face challenges in implementing adequate social protection and skills training programs. Although financial assistance and skills enhancement programs help reduce the social impact of layoffs, long-term success depends on the government's ability to create new jobs and increase economic competitiveness.

3.3. Indonesian Government Policy in Responding to Layoffs

3.3.1. Several policies taken by the Indonesian Government

The condition of the Indonesian economy which is experiencing pressure, both from internal and external factors, such as a decline in economic growth, fluctuations in commodity prices, and the COVID-19 pandemic, has caused an increase in layoffs. In response to this situation, the Indonesian government has implemented various policies to reduce layoffs' social and economic impact. Social assistance programs, JKP, economic stimulus, skills training, and support for SMEs are some steps taken to support workers and maintain economic stability.

a. Social Assistance Program:

- Direct Cash Assistance (BLT): BLT is provided to poor and vulnerable households to reduce the economic impact of layoffs. This program aims to increase people's purchasing power and maintain social stability.
- Family Hope Program (PKH): PKH is a conditional social assistance program that provides cash assistance to poor households under certain conditions, such as ensuring their children stay in school and receive basic health services.

b. Job Loss Guarantee Program (JKP): This program is designed to provide protection for workers who lose their jobs. Benefits provided include cash, access to job training, and access to job market information. This program aims to mitigate the negative impact of layoffs and help workers return to the job market with better skills.

c. Economic Stimulus :

- Fiscal Stimulus Packages: The government launched various fiscal stimulus packages to support the economy during the crisis, including tax incentives, assistance for small and

medium enterprises (SMEs), and increased infrastructure spending. This package aims to encourage economic growth and create jobs.

- National Economic Recovery Program (PEN): The PEN program is designed to support sectors most affected by the COVID-19 pandemic, including tourism and hospitality, through financial assistance and incentives.

d. Training and Skill Improvement :

- The Pre-Employment Card Program provides training and financial incentives for workers who have lost their jobs or are looking to upgrade their skills. This program aims to increase the competitiveness of Indonesian workers and help them find new jobs.
- Vocational Training: The government is also increasing investment in vocational training programs to improve workforce skills, especially in high-demand sectors.

e. SMEs Assistance :

- The People's Business Credit Program (KUR) provides low-interest credit for small and medium-sized businesses to support their operations and maintain business continuity during times of crisis.
- Tax Incentives: The government provides tax incentives for SMEs to reduce their financial burden and help them retain their workforce.

3.3.2. Implementasi Kebijakan Program JKP dalam Menanggulangi Dampak PHK terhadap Perekonomian Indonesia

The Job Loss Guarantee Program (JKP) is part of a broader social protection policy that aims to provide a safety net for workers who lose their jobs. This program provides benefits in cash, access to job training, and access to job market information. The main aim of JKP is to reduce layoffs' social and economic impact and help workers return to the job market with better skills. Protection policies for workers affected by layoffs are needed more than just legal protection and monetary benefits. Providing non-professional insurance benefits to laid-off workers through cash, access to actionable market data, and better job training (Widanarti, 2022). The optimal level of unemployment benefits is generally about the same regardless of whether workers have different economic opportunities. This shows that considering the redistributive nature of unemployment benefits, its role is only limited in changing the optimal level of unemployment benefits (Uren, 2018).

The JKP program is here to strengthen the implementation of Employment Social Security and complement the benefits of the National Social Security program for the community along with National Health Insurance (JKN), Work Accident Insurance (JKK), Old Age Security (JHT), Pension Security (JP), and Security Death (JKM). The JKP program is regulated in Government Regulation Number 37 of 2021 concerning the Implementation of the Job Loss Guarantee Program.

- a. Cash Benefits: given every month for a maximum of 6 months' wages, with provisions of 45% of wages for the first three months and 25% for the next three months. Regarding wages, it should be noted that the wages used as the basis for payment of cash benefits are the workers'

last wages reported by employers to BPJS Employment and do not exceed the set upper wage limit, namely IDR 5 million. If wages exceed the upper wage limit, then the wages used as the basis for payment of cash benefits are equal to the upper wage limit.

- b. Access to Job Training: competency-based training through government, private or company-owned job training institutions.
- c. Access to Job Market Information: provided in the form of job market information (providing job vacancy data) and/or job guidance (self-assessment and/or career counseling).

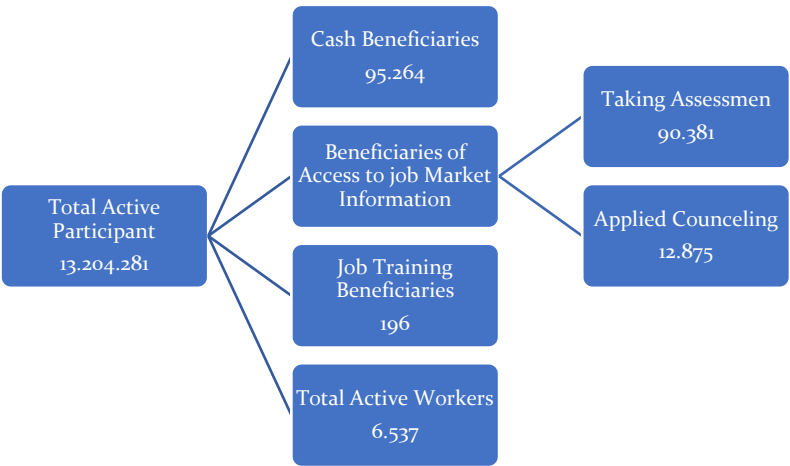


Figure 3. Number of Active Participants and JKP Beneficiaries as of 31 July 2024
Source: Center for Employment Data and Information Technology, 2024

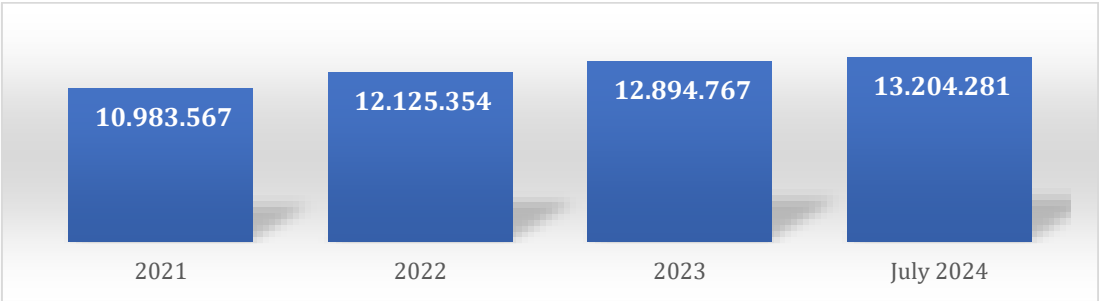


Figure 4. Trend in the Number of JKP Program Participants
Source: Center for Employment Data and Information Technology (2024)

As of July 31 2024, the total number of active JKP program participants was 13,204,281 people. There were 95,264 cash benefit recipients. There were 90,381 beneficiaries of access to labor market information who took part in the assessment and 12,875 who took part in counseling. There were 196 job training beneficiaries. Meanwhile, the total number of beneficiaries who have

returned to the world of work is 6,537. The number of JKP program participants continues to increase yearly, with an average increase of 8%.

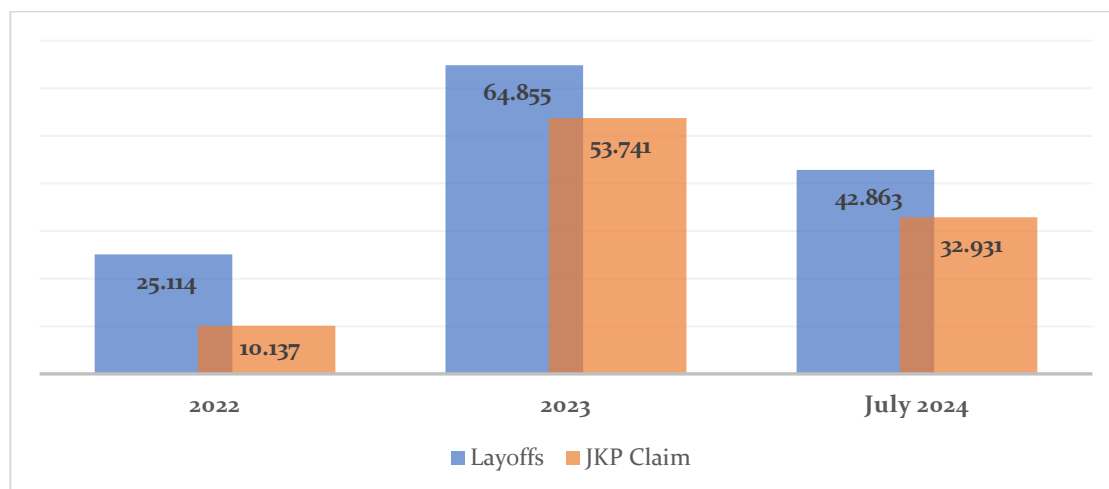


Figure 5. Number of Layoff Cases Compared to Number of Benefit Claims
Source: Directorate General of PHI & Social Security, Ministry of Manpower (2024)

The number of layoff cases in 2023 will be 64,855 people, which will increase significantly by more than 150% from 2022 to 2023. Meanwhile, the number of JKP benefit claims in 2023 will be 53,741 people, a significant increase of 5 times compared to the previous year. The increase in the number of JKP benefit claims is in line with the increase in the number of layoffs, which proves that the JKP benefits are indeed claimed by laid-off workers. In July 2024, 42,863 people who were laid off, and 32,931 people have received JKP benefits. The remainder was possible due to fulfilling the conditions for not being eligible to receive JKP benefits (contribution period requirements, reasons for layoffs, past the expiry period) or it is possible that workers who experienced layoffs have not yet/did not access JKP.

3.3.3. Impact of JKP Implementation on the Economy

Several studies have been conducted regarding the function of social security in society. Social security is a state instrument for preventing poverty, empowering communities with social welfare problems, and alleviating poverty (Sumadi, 2017). The role of social protection ensures compliance with social rights and provides minimally decent living conditions (Budeianskyi, 2022). The social protection system can stabilize the economy and encourage socio-economic equality and stability (Nora, 2018). An effective social security system guarantees income security and workers' health protection (Barbero, Rodríguez, & Zhu, 2020). Social protection is a policy and action that increases the capacity of poor and vulnerable people to escape poverty and manage risks (Loewe, 2016). Inclusive social protection can give everyone the right to access social protection when they need it regardless of gender, geographical position, religion, residence status or disability. Social assistance is expected to fulfill programs such as work accident insurance, old age insurance, pension insurance, death insurance, and unemployment insurance, as well as assistance to the poor and mutual cooperation (Prasetyo, Handayani, Sulistiyono, &

Karjoko, 2019). Social security is a major resource for many people, especially the unemployed (Garcia, Maestas, & Mullen, 2019).

Several studies have been conducted regarding the implementation of JKP on the economy and community welfare. The purpose of the unemployment benefit program is to protect workers from large income losses during periods of unemployment, while improving the unemployment rate (Moffitt, 2014). Tunjangan pengangguran memungkinkan pekerja untuk mempertahankan konsumsi sambil menghabiskan lebih banyak waktu untuk mencari pekerjaan yang sesuai dengan keterampilan mereka. Tunjangan pengangguran mengurangi dampak dari hilangnya pekerjaan, dan mempunyai peran penting dalam memitigasi dampak negatif kesehatan akibat kehilangan pekerjaan (Kuka, 2019). Unemployment benefits allow workers to maintain consumption while spending more time looking for jobs that match their skills. Unemployment benefits reduce the impact of job loss, and have an important role in mitigating the negative health impacts of job loss (Kuka, 2019). Unemployment benefits can reduce the negative impacts of poverty and health (Renahy et al, 2018). Receiving unemployment benefits is associated with lower death rates among the long-term unemployed. Expanding access to unemployment insurance can improve public health and reduce health disparities associated with job loss (Shahidi & Parnia, 2021).

Unemployment benefits protect unemployed workers to maintain consumption, help the unemployed escape poverty, and maintain consumption levels (Wiryadi & Novendra, 2021). Unemployment benefits can help the unemployed stabilize their lives and encourage them to immediately participate in the job market (Tung, 2019). Unemployment benefits can play an important role in offsetting the negative impact of unemployment on health for socio-economically disadvantaged groups (Vahid et al, 2019). Unemployed workers claim their social security benefits as their alternative source of income (Fawaz, 2017). Unemployment benefits can be viewed as a collective resource with significant external benefits (Sjöberg, 2010).

Implementing JKP can reduce layoffs' social impact and provide social stability. By providing financial assistance and support to laid-off workers, JKP helps maintain social stability by reducing economic pressure on individuals and families. This assistance also prevents significant increases in levels of poverty and inequality. Support from JKP can also improve quality of life and enable workers to continue to meet their basic needs during the transition period, thereby reducing stress and negative impacts on mental health. The impact of providing this financial assistance can have a multiplier effect. This creates a positive multiplier effect for the economy as a whole.

Training and skills improvement programs from the implementation of JKP can help increase the productivity and competitiveness of Indonesian workers. Workers who retrain or upgrade their skills can better adapt to changes in the job market and new technologies. By having a more skilled workforce, companies can increase efficiency and innovation, which can create new jobs and encourage economic growth. Vocational training programs are an effective way to combat unemployment, especially for people with low levels of education. This policy can help reduce the skills mismatch that often leads to long-term unemployment among people with less education. The effectiveness of these programs depends on the quality of training provided, the length of the

program, and the type of training. A study abroad shows that programs that provide theoretical training and on-the-job training tend to be very effective in improving employment outcomes (Sokolov, 2023).

During the COVID-19 pandemic, the implementation of JKP helped accelerate economic recovery by supporting workers affected by layoffs. Financial support and job training ensure that they remain productive and ready to return to work when economic conditions improve.

3.3.4. Issues in JKP Implementation

In its implementation since 2022, the JKP program is facing quite a lot of problems. Based on a study by Yanwar et. al. (2022), there are several problems in implementing JKP, namely:

- JKP operational support infrastructure such as operators, reliable applications, and organizers who master the process from central to regional levels are not yet optimal.
- Technical problems, such as the centralized management of SIAPkerja accounts, overwhelm facilitators who manage accounts because they have to handle participant data throughout Indonesia.
- Participants' accessibility to SIAPkerja is still weak due to low digital literacy skills and the relatively long reach of internet access
- Lack of supervision and evaluation by organizers regarding cash claims causes the risk of cash claims only in the first month, without being continued in the following months along with other benefits such as job market information or job training.
- The number of JKP recipients is still low because: (1) socialization of the JKP program has not been evenly distributed, (2) not all workers have good digital access skills, (3) the JKP claim period is too short, only 3 months after layoffs.

Meanwhile, Warsida et al (2023) evaluated the JKP program and found several problems in JKP implementation, namely:

- A number of challenges and problems have emerged in the implementation of the Job Loss Guarantee Program (JKP), including the JKP claim process which is considered difficult by participants, limited job market information according to participant domicile, limited number of counselors spread outside Java, and limited type of training that suits the participant's abilities.
- Uneven socialization regarding the JKP Program and the complexity of disputes related to layoffs are additional obstacles in submitting JKP claims.

According to research by Yeni et al (2022), in providing job training benefits, the Government must provide more outreach, guidance and facilitation to private training institutions to become partners in providing training for JKP recipients. Meanwhile, regarding the benefits of access to labor market information, the currently used information system still has many weaknesses, and there still needs to be more socialization and guidance to local governments. Silitonga et al (2022) revealed that the policy of providing JKP still needs to have good prospects in protecting workers

who experience layoffs. The requirement to participate in several social security programs means that quite a few workers will be prevented from participating in job loss insurance.

Evaluation of the JKP program was also carried out by international institutions such as the World Bank and the International Labor Organization (ILO), and found several problems in JKP implementation, namely:

- Requirements for receiving benefits as a PKWT, resigning, contribution period of 6 (six) months, claim expiry of 3 (three) months, claim a maximum of 3 (three) times, become ineligible due to differences in segmentation between 2 (two) BPJS.
- Payment of contributions every December, the payment deadline is too short, changes to monthly bill receipts.
- Distribution of job vacancies, types of jobs, and number of job vacancies are not widely accessed by participants.
- Training costs are insufficient, the number of JKP work training institution partners is limited, the types of training are limited and the distribution could be more exciting and varied.
- Institutions (coordination between ministries/institutions) still need to be strengthened.
- Increasing the quantity and strengthening the quality of HI mediators, counselors, labor inspectors,
- and BPJSTK service officers is necessary.
- The application is considered not user-friendly, the application is not integrated, the data is not yet valid, difficulty accessing the application (limited bandwidth, cellphone not supported), and device and network limitations in the district/city.
- The program must continue, and it is necessary to consider changes related to JKP, including participant eligibility to obtain JKP benefits and the amount of contributions from participants.

In terms of the benefits of job training, the current training cost of Rp. 1 million is considered insufficient, because the cost of skill improvement training is relatively expensive. The training offered also does not include apprenticeship, which is necessary to improve skills further. Although many training programs are offered, the quality and relevance of training to job market needs still needs to be improved. It is necessary to communicate and collaborate with the industrial world to ensure that the training programs provided truly improve the skills needed by the industry.

4. Conclusion and Recommendations

Economic conditions greatly influence the level of layoffs in a country. Layoffs have a negative impact on life. The government's role through policies is necessary to mitigate the impact of layoffs so that it can provide stability to the Indonesian economy. Implementing the Job Loss Guarantee Program (JKP) is an important step in the Indonesian government's efforts to overcome the impact of layoffs and support the economy. By providing cash benefits, access to job training,

and job placement services, JKP helps reduce the social and economic impact of layoffs. This program not only helps affected workers to remain productive and ready to return to the job market, but also contributes to economic recovery and increasing the competitiveness of the Indonesian workforce. Several policy recommendations that can be conveyed are as follows:

- **Periodic Evaluation of the JKP Program:** The government needs to carry out periodic evaluations of the Job Loss Guarantee Program (JKP) to identify and overcome problems in program implementation. This evaluation is important to ensure the long-term effectiveness and adaptation of the program to changing economic conditions and workforce needs.
- **Improving Infrastructure and Accessibility:** The government must improve the infrastructure supporting JKP operations, including developing more user-friendly applications and skilled administrators at all levels, from central to regional. In addition, it is necessary to increase participants' accessibility to SIAPkerja by improving digital literacy and internet infrastructure in remote areas.
- **Socialization and Development:** Socialization regarding the JKP Program must be increased, especially in areas that are difficult to reach. The government needs to provide guidance and facilitation to private training institutions to become partners in providing training for JKP recipients. This includes providing outreach to local governments regarding the use of labor market information systems.
- **Collaboration with Industry:** Closer collaboration between government and industry is needed to ensure that the training programs provided are in line with the needs of the job market. This aims to increase the relevance and quality of training, so that JKP recipients have skills that meet industry demand.
- **Adjustment of Training Costs:** The government must consider increasing training costs currently regarded as insufficient. The training offered also needs to include apprenticeships which are very necessary to improve workers' skills. This will help increase the effectiveness of training programs and their relevance to labor market needs.
- **Improvement of the Social Security System:** The JKP program must be integrated with other social security systems, such as National Health Insurance (JKN), Old Age Security (JHT), and Pension Security (JP). This integration is important to ensure that workers who lose their jobs have comprehensive protection and can meet their basic needs during the transition period.

Implementing these recommendations is expected to increase the effectiveness of the JKP Program in providing protection for workers affected by layoffs and supporting economic and social stability in Indonesia.

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