



▶ Research Brief

May 2020

▶ The clock is ticking for survival of Indonesian enterprises, jobs at risk

Key findings of the ILO SCORE Indonesia COVID-19 enterprise survey

Executive summary

To better understand the impact of the COVID-19 outbreak on enterprises and their assistance needs in Indonesia, the ILO's Sustaining Competitive and Responsible Enterprises (SCORE) Programme Indonesia, with constituents and implementing partners, conducted a survey of 571 enterprises in April 2020.

Two out of three enterprises have currently stopped operations

The survey results revealed an unprecedented predicament of enterprises due to the pandemic. Two out of three surveyed enterprises suspended business operations temporarily or permanently. Three per cent of the surveyed enterprises closed their businesses permanently, with small enterprises bearing the greater brunt of the crisis than larger ones.

Revenues plummeted and 90 per cent of enterprises reported cash flow problems

Revenues of enterprises are being slashed. Over a quarter of the surveyed enterprises reported having lost more than a half of their revenue. About 52 per cent of enterprises saw their revenue diminished up to 50 per cent.

Ninety per cent of the surveyed enterprises experienced cash flow problems. Many of them negotiated with banks, suppliers, and workers. Their top priorities for government assistance are access to finance and deferral of payment (e.g. utility bills, social security premium, taxes). Should the pandemic prolongs, cash-strapped enterprises would eventually fall. The clock is ticking.

Jobs at risk

The outbreak has been taking its toll on employment. About 63 per cent of surveyed enterprises have already shed workers and more enterprises plan to do so. Some millions of Indonesian workers are furloughed or temporary laid-off. An increasing number of jobs are at risk as enterprises further downsize or close.

Attempts for survivals meet with difficulties

Enterprises take many different measures for survival. About one third of enterprises tried to survive by shifting to online businesses. One out of five enterprises diversified products to respond to new demand such as masks and sanitizer. The COVID-19 outbreak, however, places a strain on business continuity as enterprises face shortages in supplies and input material, as well as difficulties in the shipment of finished goods. A quarter of enterprises cannot secure sufficient number of workers for their business operations due in part to restriction in movement.

Not ready yet for re-opening

As the economy will eventually re-open, protection of workers is an urgent task. Currently, less than 40 per cent of enterprises conduct temperature check. More than 30 per cent of enterprises cannot secure necessary physical distance among workers. Teleworking is practiced by less than one-third of enterprises. Until remedies and vaccination become available, preventing the spread of COVID-19 and protecting workers from infection at workplaces remain an important issue.

Enterprises want business continuity advice and guidance on COVID-19 in the workplace

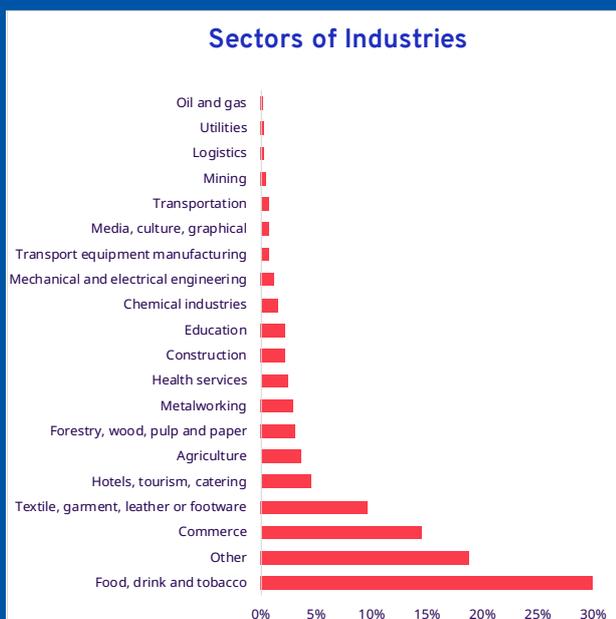
Enterprises require business development services such as advice on business continuity planning and diversification of products and sales channels. As enterprises prepare for resumption of business operations, they need guidance on the prevention of COVID-19 infection at workplaces.

Enterprises require government assistance for survival and adaptation to “after-corona”

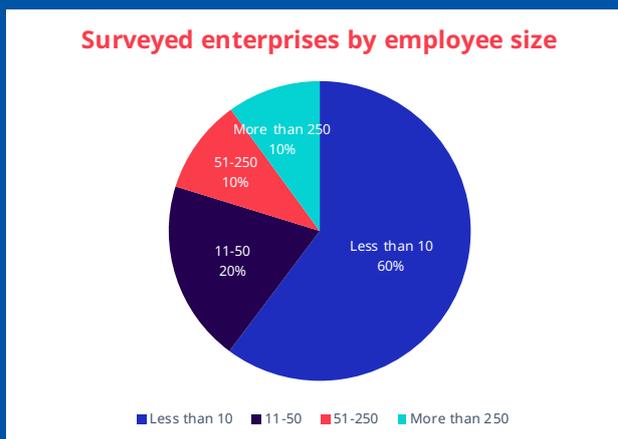
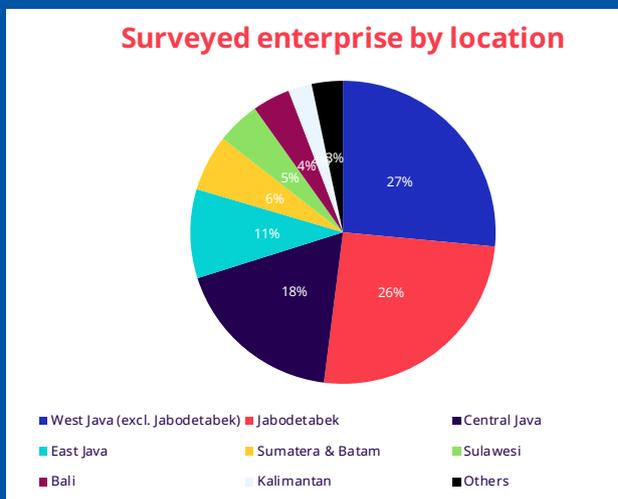
Enterprises call for government assistance for survival and adaptation to social-distancing requirements. The majority of enterprises require urgent support with cash flow for survival. Similarly, reducing fixed costs with subsidies on wages and rent, for instance, would increase the chances of survival. Enterprises also need support with adapting business models and operations to the era of “after-corona”. Enhancing online capability of businesses and clear guidance to protect workers from virus are warranted.

Survey method and sample

The ILO conducted an online enterprise survey between 6 April 2020 and 24 April 2020 in order to assess the impact of COVID-19 outbreak on enterprises in Indonesia. There were 571 enterprises responded.

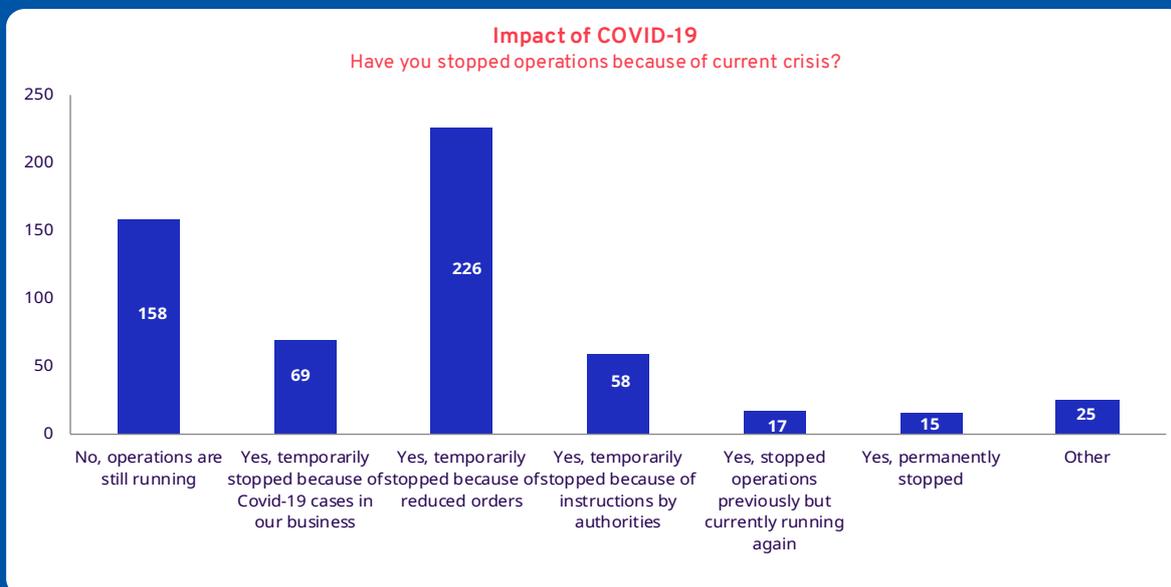


Please note that the compositions of the surveyed enterprises by size, location, sector, ownership, and export orientation differ from those of the population. Most of the survey respondents are formal enterprises. Caveats apply in interpreting the survey results.

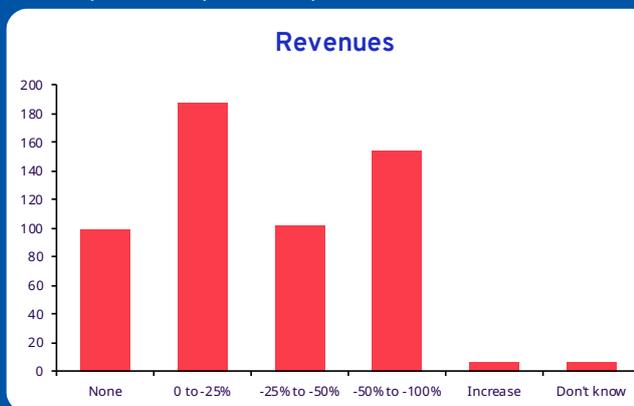


Key findings

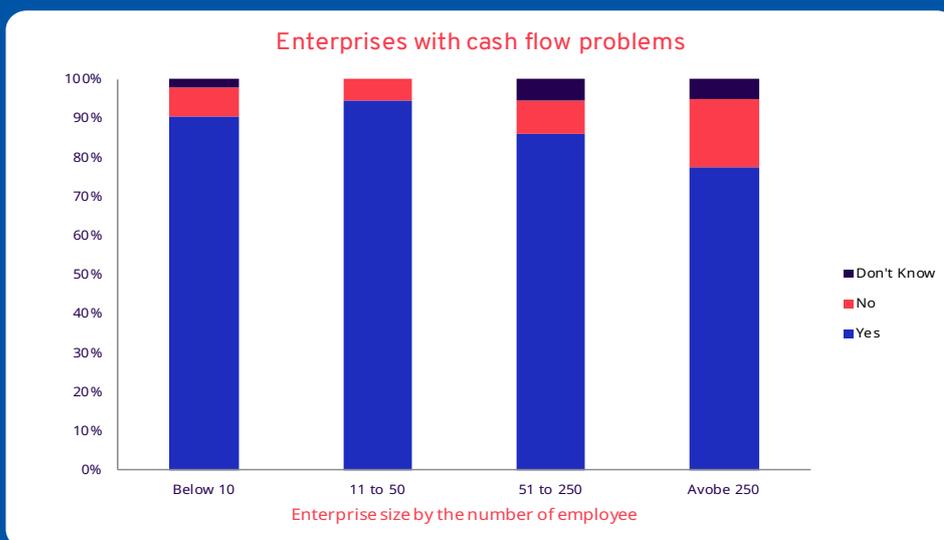
- ▶ Sixty eight per cent of the surveyed enterprises experienced business disruptions due to the COVID-19 outbreak: 65 per cent temporarily halted business operations and 3 per cent permanently closed their business. Small enterprises with less than 10 employees are more than 3 times likely to fall than medium- and large-sized enterprises with 51+ employees.



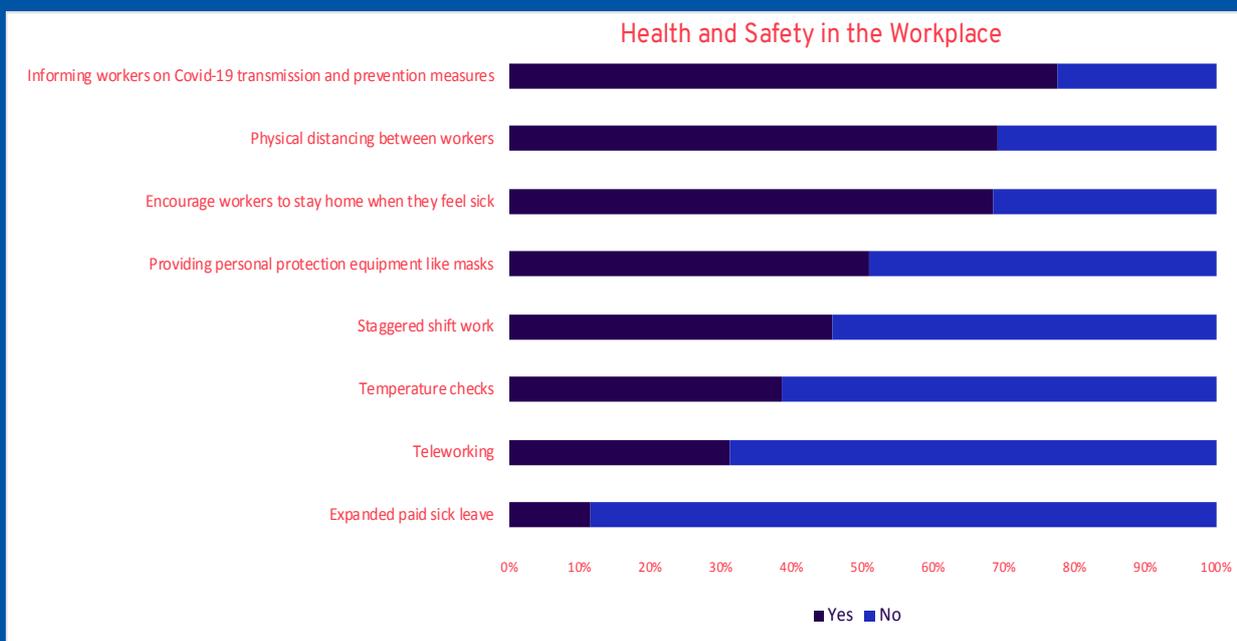
- ▶ As orders declined and businesses operations shrank, 4 out of 5 enterprises (80%) saw their revenue slashed. Thirty four per cent of surveyed enterprises lost revenue up to 25 per cent, 18 per cent between 25-50 per cent, and 28 per cent experienced their revenues more than halved. Enterprises expect deeper loss in revenue in 2020 as they see dim prospect of business recovery.



- ▶ Because of disruptions in businesses and restrictions on movement, 64 per cent of enterprises faced shortages in supplies and input material. Nearly two-thirds (66%) encountered problems with shipment of finished goods.
- ▶ Enterprises tried to cope with the impact of the outbreak. Fifty eight per cent of the surveyed enterprises have reduced the production of goods and services due to a decline in demand. Thirty five per cent attempted to diversify sales channels and used online marketing, sales, and delivery.
- ▶ While consumer demand fell sharply across the board, some products and services enjoy high demand. In fact, 5 per cent of the surveyed enterprises faced higher demand than before and increased production. One out of five (21%) enterprises diversified products to respond to new demand such as masks and sanitizer.
- ▶ While many companies reduced labour input, about a quarter of enterprises could not secure sufficient number of workers for their business operations because of various reasons including restriction in movement.
- ▶ Ninety per cent of the surveyed enterprises already faced cash flow problems. Even among large enterprises with 250+ employees 78 per cent experienced cash flow issues. Additional 10 per cent of large enterprises anticipated that cash flow problems will affect their businesses sometime in 2020 (in total 88% of large enterprises). About one-third (32%) of the surveyed enterprises negotiated payment terms with banks and suppliers. About 36 per cent negotiated with workers.

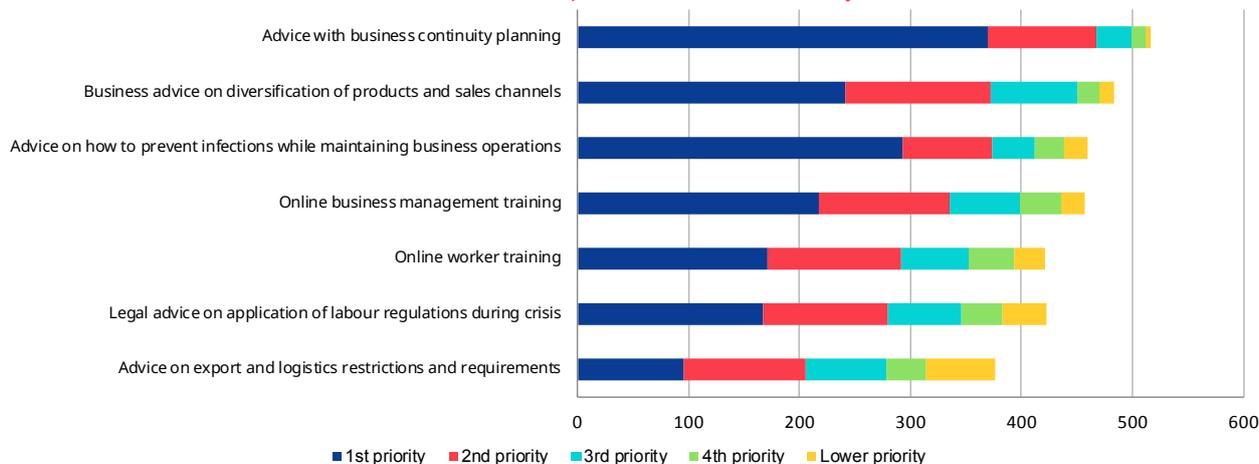


- ▶ As enterprises felt the pain of the crisis, 63 per cent of the surveyed enterprises have already reduced the workforce. Around 72 per cent of enterprises have already or plan to shed workers this year.
- ▶ Enterprises have implemented measures to protect workers from contagion. About 77 per cent raised awareness of workers on COVID-19 transmission and prevention measures. Sixty nine per cent of enterprises secured physical distance between workers.



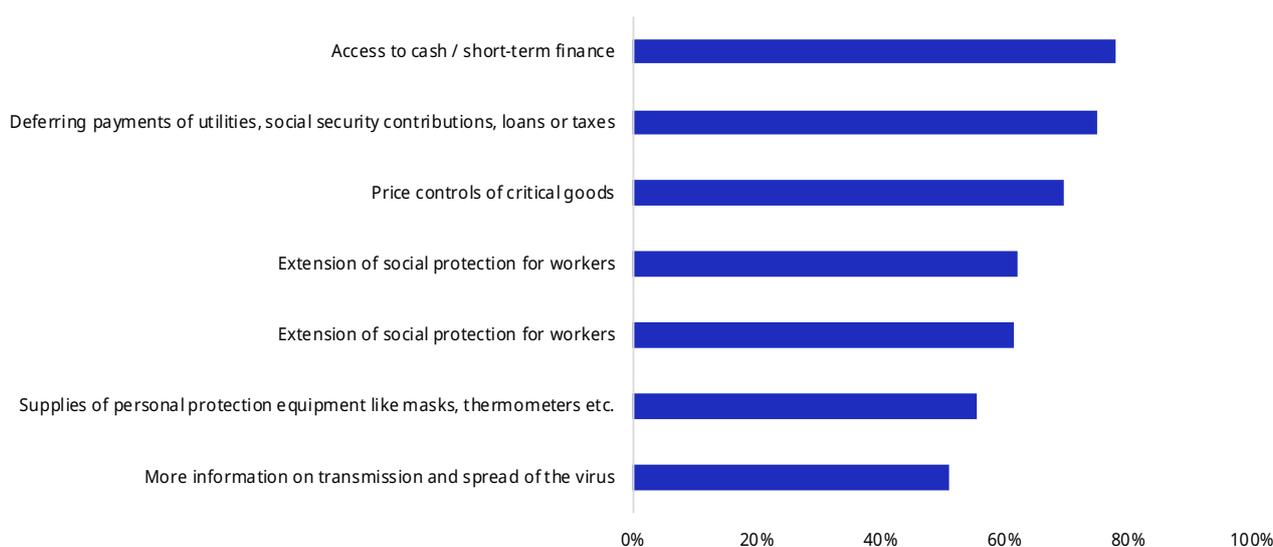
- ▶ Enterprises call for business development services. Top items on their lists are advice on business continuity planning, advice on diversification of products and sales channels. Enterprises also need advice on preventing COVID-19 infection while maintaining business operations.

What business development services do you need?



- ▶ Enterprises require support from the government. Their top priorities are access to finance and deferral of payment (e.g. utility bills, social security premium, taxes)

What government support do you need?



Policy recommendations

The government of Indonesia has implemented various measures to help businesses and workers including tax cut, credit/debt restructuring, increased liquidity in the financial system and debt payment deferral of a public micro loans scheme (KUR). Below are some additional support that the government may wish to consider to support the survival and re-activation of enterprises.

- ▶ Targeting support to small- and medium-sized enterprises (SMEs) as they are the backbone of the Indonesian economy and an important source of employment. They are relatively under-supported in the current economic stimulus package.

- ▶ Assuring access to cash and short-term financing of enterprises is indispensable. For instance, providing sufficient liquidity to financial institutions so they can provide SMEs with no or low-interest loans, offering partial credit guarantee to the loans taken out by SMEs, and subsidizing interest payment on debt servicing are examples of support measures.
- ▶ Helping enterprises cover their fixed costs is another key line of support. Wage subsidies for those employers who commit to maintain employment, subsidies on rent, rebate or deferral of social security premiums and tax payment could help survival of enterprises.

- ▶ Making resources available to support some enterprises to produce goods and/or services to protect the public and support health care providers, patients and other essential services workers (e.g. temporary hospital facilities, masks and medical equipment, etc.).
- ▶ Supporting businesses to adapt their business models and operations to the era of social distancing, including provision of web-based training or coaching on digital marketing and service delivery to increase online capabilities of enterprises, as well as promotion of online market places and digital payments.
- ▶ Providing clear guidance and material support to protect workers and prevent the spread of virus at workplaces.
- ▶ Supporting income of deprived consumers and boosting demand by expanding employment-intensive investment, cash-transfer programmes, government procurement with preferences given to micro, small and medium enterprises (MSMEs) and training programmes with training allowances.

About the ILO SCORE Programme

Sustaining Competitive and Responsible Enterprises (SCORE) is an ILO global programme that improves productivity and working conditions in small and medium enterprises (SMEs). The primary goal of the global programme is the effective implementation of SCORE Training, which combines practical classroom training with in-factory consulting. The project in Indonesia is funded by Swiss State Secretariat for Economic Affairs (SECO) and the Norwegian Agency for Development Cooperation (NORAD). The ILO SCORE Indonesia Programme conducted the enterprise survey.

Acknowledgement

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