

Enterprises Social Security Employment Contributions During Covid-19 Pandemic

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Abstract – The implementation of social restrictions during the COVID-19 pandemic caused an economic slowdown and made it difficult for many enterprises to keep running, including the obligation to pay social security contributions for employment. To overcome the issue, the government provides policy to ease the burden on enterprises and avoid the occurrence of labor layoffs. However, there are still many companies that are laying off their workers during the pandemic and cause the unemployment rate increased resulting in a decrease in the number of contributions paid by enterprises for employment social security participation. If this problem persists, the sustainability of social security funds will be threatened and payment of benefits to participants will be disrupted. This study aims to analyse the changes on the contributions, registered labor, and reported wages of enterprises toward social security participation before and during the pandemic. The objective will be addressed by analysing contribution paid, number of registered workers, and total wages reported by enterprises before and during the COVID-19 pandemic with a tabular descriptive analysis using a paired t-test. The result indicates that there is a significant decrease in contributions, registered labor, and reported wages for enterprises during the pandemic compared to before the pandemic.

Keywords –contribution; COVID-19; employment; enterprises; social security

I. INTRODUCTION

Covid-19 has become a phenomenon that has shaken the world in terms of health, economy, culture, and society. Many new policies are presented such as the use of travel bans, social isolation, and lockdown to limit the rise of COVID-19 cases. However, these policies influence the slowdown in the economy (Ekarina& Fedrichson, 2020). The economic downturn began when the government implemented the Large-Scale Social Restrictions (PSBB) policy in April 2020.

This policy caused Gross Domestic Product (GDP) growth in the second quarter of 2020 to be corrected at 5% compared to 2019. Economic contraction continued until the first quarter of 2021, before GDP growth per quarter was positive in the second quarter of 2021. The economic slowdown significantly impacted various sectors, especially the financial sector, such as bank and non-bank financial institutions. With the 2020 recession, the financial sector GDP also contracted by 1% in the third quarter of 2020, after only growing 1% in the second quarter. In 2019 the trend of GDP growth in financial and insurance sectors increased gradually, but in 2020 the movement experienced a decline due to the COVID-19

crisis. A significant decline in the industry occurred in the first quarter of 2021 that sink 3%.

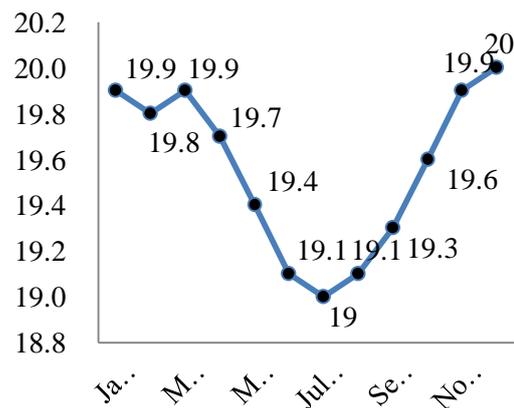


Fig.1. Number of active labor of wage earners sector of BPJS Employment in Indonesia in 2020

This decline also includes non-bank financial institutions such as Labor Social Security Administrator (BPJS Employment). An economic downturn can have a significant influence on social security's short-term

finances and increase the depreciation of institutionally managed fund balances (Gladstone and Akabas 2020).

The contributions paid by companies to BPJS Employment as body that administer social security decreased due to the economic slowdown. Many companies have laid off their employees because the demand for output in the community has fallen and decreasing the money supply. External shock in the money market resulted in a decrease in the demand for goods and services in the goods market and led to a decline in GDP. Through the IS-LM relation, the external impact of this shock can be seen in figure 2.

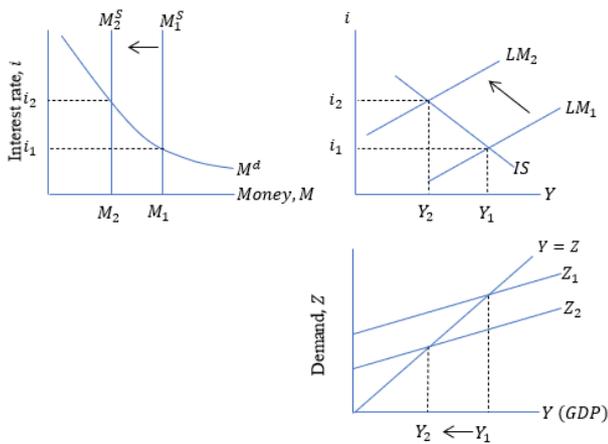


Fig.2. Transmission of the impact of the decline in the real money due to COVID-19 on GDP.

A decrease in the real money shifts the curve M_1^S to the left to M_2^S which raises interest rates from i_1 to i_2 . This increase in interest rates shifts the curve LM_1 to the left to LM_2 resulted in the decrease of Y from Y_1 to Y_2 . This subsequent incident in the goods market resulted in the demand for goods and services falling from Z_1 to Z_2 (shifts to the left) which finally makes GDP also decrease from Y_1 to Y_2 . When people's purchasing power fall, decreasing price levels and lead to rise in the real wages (nominal wages are fixed). This transmission cause costs of labor become more expensive. This increase in real wages makes companies reduce their workforce (usually layoffs).

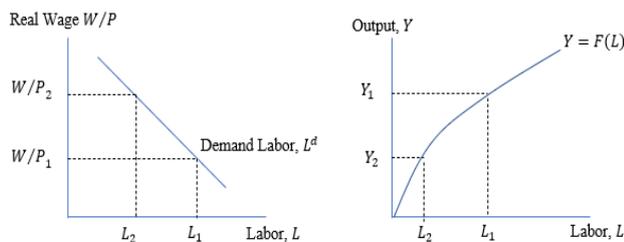


Fig.3. Effect of a drop in the price level on the output
Various countries have taken different strategic actions related to the threat of the COVID-19 pandemic, particularly those related to social security. Some use

financial protection to access health care, leave benefits, unemployment insurance, wage subsidies, changes in contributions and social security benefits, cash transfers, in-kind transfers, and other mechanisms to support household income (Silaban&Munandar, 2021)

According to the Law of the Republic of Indonesia, Number 40 of 2004, concerning the National Social Security System, social security is a form of social protection to ensure that all people can meet their basic needs for a decent life. Social security can compensate for income losses from events beyond the individual's control (e.g., illness, disability, illness). It can guarantee economic support for individuals who do not have enough income to live, such as widows with children and the elderly (Oosterhaven, 1989). Social security benefits are also indispensable in providing treatment to vulnerable individuals and families. Apart from the poor, around 30% of Indonesia's population is considered vulnerable. Social protection can provide more benefits to improve livelihoods and income security among this group, especially individuals (usually in informal employment) who do not qualify for social assistance but are also unable or unwilling to register for social insurance (OECD, 2019).

Social security protection is essential for both workers as participants and companies as employers. Participants are provided with protection through social security programs not only for themselves but also for their families. This protection is obtained if participants experience social risks in cash, training, compensation, and scholarships to heirs. From the company's side, social security programs and benefits function as enterprises partners in protecting the workforce, providing protection, and maintaining productivity. Social security benefits have a significant role during the COVID-19 pandemic, one of which is providing cash to participants through a wage subsidy policy and helping affected companies continue to employ their workers without layoffs. Workers who have been laid off can also claim old-age insurance benefits (JHT) in the form of cash to maintain their purchasing power in these difficult times. Meanwhile, workers who enter retirement age can get pension benefits (JP) like civil servants.

The sustainability of the benefits and positive things above can be achieved if the payment of contributions by the enterprises is carried out smoothly. However, when the COVID-19 pandemic emerged, economic growth slowed down, so many companies had difficulty paying contributions. Many companies that have initially been able to contribute changed their status to debt companies. The contributions received by BPJS Employment decreased significantly during the pandemic due to the PSBB during 2020. In 2019, the total contribution receives reached Rp. 73.427 billion, while in 2020, it was

Rp. 73.722 billion or only grew 0,4%. The growth rate of this contribution revenue is shallow compared to previous years, in which in the last ten years, the average growth has reached 18% per year.

In response to the decline in contribution receives and to reduce the COVID-19 pandemic crisis, the government issued Government Regulation (PP) Number 49 of 2020 concerning Adjustment of Employment Social Security Program Contributions During Non-Natural Disasters for the Spread of Corona Virus Disease 2019 (COVID-19). There are three crucial things in this rule, including the following:

- a. Easing payment dues
- b. Subsidies for payment of contributions for the Work Accident Insurance (JKK) and Death Benefit programs (JKM)
- c. Delay in payment of Pension Benefit contributions

Based on the background and problem statements, this research aims to analyze the changes on the contributions, registered labor, and reported wages of enterprises toward BPJS Employment before and during the pandemic.

II. RESEARCH METHODS

The data used in this study is secondary data from BPJS Employment the form of data from companies participating in BPJS Employment in Jakarta with 75.489 enterprises. The data is in panel data, namely a list of

Variable	Sample	Mean		Standard Deviation	T value
		Before	During		
All Enterprises	75.407	32.069.457	30.142.452	43.764.831	12,1**
Large Enterprises	4.048	414.654.966	390.482.470	171.093.108	8,99**
Medium Enterprises	28.101	23.042.244	21.415.284	28.775.241	9,48**
Small Enterprises	28.413	3.009.264	2.932.442	4.281.641	3,02**
Micro Enterprises	14.845	603.246	622.337	3.383.715	-0,69

active and non-active participating companies from March 2019 to February 2021 and obtained from the BPJS Employment Head Office. The variables used include:

- a. the amount of payment of contributions paid by enterprises (rupiah)

- b. business scale
- c. number of registered workers
- d. total wages reported as a participant of social security employment (rupiah)

The objective will be addressed by analysing contribution paid by enterprises, number of registered workers, and total wages before and during the COVID-19 pandemic with a tabular descriptive analysis using a paired t-test.

$$t = \frac{\delta}{SD\delta/\sqrt{n}}$$

δ = Mean deviation (difference of sample before and samples during pandemic)

$SD\delta$ = Standard deviation of δ

n = Number of samples

The data before the pandemic is between March 2019 – February 2020, while the data during the pandemic is between March 2020 – February 2021. The method is used to see whether there are any changes on the contributions and participation regarding registered workers and wages reported before and during the occurrence of COVID-19. The paired t-test is performed based on four enterprises scale: large, medium, small, and micro enterprises.

III. RESULT AND DISCUSSION

1. Contribution

The sample used in the paired t-test are 75.489 enterprises during the period of March 2019 to February 2021 that participate in BPJS Employment in Jakarta province. In terms of contribution payment, there is a significant difference between the amount of contribution before and during the pandemic. In the results of paired t-test, large, medium, and small enterprises experience significant changes in contribution payments. However, for micro enterprises, their contribution payments are not significantly different. One of the reasons is because the amount of contributions payment for micro enterprises is relatively smaller than other types of enterprises. Moreover, it is because most of them only pay contribution for work accident scheme and death benefit scheme. The existence of a contribution subsidy from the government also greatly affects the level of payment of contributions for micro enterprises.

In the period of August 2020 to January 2021, the government supplies a contribution payment subsidy of 99% of work accident scheme and death benefit scheme. It means that micro enterprises only pay 1% contribution.

Note: ***significant at $\alpha=1\%$, ** significant at $\alpha=5\%$

Table 1. The results of paired t-test of contribution paid by enterprises before and during COVID-19 pandemic

Variable	Sample	Mean		Standard Deviation	T values
		Before	During		
All Enterprises	75.407	56,64	53,01	149,58	2,52** *
Large Enterprises	4.048	655,13	612,97	516,78	5,19** *
Medium Enterprises	28.101	45,36	42,15	83,60	6,44** *
Small Enterprises	28.413	9,82	9,64	16,24	1,89
Micro Enterprises	14.845	4,68	4,11	27,56	2,52**

For large and medium scale companies, a contribution payment subsidy of 99% of work accident scheme and death benefit scheme has very little effect. The enterprise's average contribution is 9,24% of reported wages, of which 0,54% is for work accident schemes and death benefit schemes contribution. Therefore, if it is calculated, this government policy helps companies pay contributions of 0,53%.

In addition to subsidies for the work accident scheme and death benefit scheme programs, the government also provides relief in the form of delays in the payment of pension benefit schemes. It only applies to companies that take part in a pension scheme which is only participated in by large and medium-sized companies, and some small companies. However, it seems to have not been very effective in helping to ease the contributions of large, medium, and small-scale enterprises. This type of assistance is a short-term relief because in the next few months, the enterprise still must pay the full pension scheme contribution.

The significant contribution differences are also influenced by the easing payment dues policy. The government provides leniency in payment in the form of extending due date payment. It causes the number of contributions received by BPJS Employment to decrease because companies that are truly affected by COVID-19 will postpone payment of contributions without being subject to administrative sanctions.

2. Registered Labor

Significant difference between the registered labor before and during COVID-19 pandemic is found in the large, medium, and micro enterprises. In the small enterprises, the result of paired t-test showed that there is no significant difference. Even though the Government has

provided stimulus to MSM Enterprises such as tax incentives and credit relaxation, it has not been able to prevent MSM Enterprises from laying off workers. For small companies, it seems that this policy is quite helpful as shown by no significant changes in the number of registered workers to BPJS Employment.

Note: ***significant at $\alpha=1\%$, ** significant at $\alpha=5\%$

Table 2. The results of paired t-test of registered labor before and during COVID-19 pandemic

Variable	Sample	Mean		Standard Deviation	T values
		Before	During		
All Enterprises	75.407	387.526.183	383.716.316	434.355.596	2,41* *
Large Enterprises	4.048	4.910.630.109	4.884.035.264	1.741.959.940	0,97
Medium Enterprises	28.101	280.908.579	273.761.782	254.830.091	4,70* **
Small Enterprises	28.413	44.528.137	45.134.575	58.981.723	-1,73
Micro Enterprises	14.845	14.277.527	14.537.401	48.364.225	-0,65

Changes in the contributions of large and medium-scale enterprises are followed by a reduction in the registered labor. It shows that many enterprises on a large and medium scale have made layoffs during the pandemic with a high number. On the other hand, although small-scale enterprises have experienced significant changes in contributions, the number of workers registered has not decreased significantly. In other words, small scale enterprises make fewer layoffs compared to large and medium scale enterprises.

The condition of large and medium-scale enterprises where many layoffs seem to have an impact on micro-scale enterprises. Many layoffs mean that large and medium-scale enterprises are experiencing operational disruptions. The difficulty of obtaining raw materials for the production and distribution of goods and services from large and medium-scale enterprises has become an obstacle in developing micro-scale enterprises business. Although they did not experience a reduction in contributions, they did report a decrease in the number of registered labors. The average number of registered labors in micro-scale companies is relatively small so that even

the slightest reduction in registered labors will have a significant effect.

3. Reported Wages

There is a significant difference in medium-sized enterprises only. For large, small, and micro enterprises, there are no significant differences. Government policies in providing wage subsidies seem to have a huge effect on the reported wages to BPJS Employment. The subsidy is provided in cash benefits for four months with the amount of Rp. 600.000 per month for all wages earner workers with reported wages below Rp. 5.000.000. The purpose of the subsidy is to reduce labors layoffs due to disruptions of enterprise financial cash flow both in large, medium, small, and micro scale enterprises during economic slowdown in the pandemic period.

Note: ***significant at $\alpha=1\%$, ** significant at $\alpha=5\%$

Table 3. The results of paired t-test of reported wages before and during COVID-19 pandemic.

Variable	Sample	Mean		Standard Deviation	T values
		Before	During		
All Enterprises	75.407	387.526.183	383.716.316	434.355.596	2,41*
Large Enterprises	4.048	4.910.630.109	4.884.035.264	1.741.959.940	0,97
Medium Enterprises	28.101	280.908.579	273.761.782	254.830.091	4,70**
Small Enterprises	28.413	44.528.137	45.134.575	58.981.723	-1,73
Micro Enterprises	14.845	14.277.527	14.537.401	48.364.225	-0,65

A significant difference in the contribution and registered labor at a large enterprise is not followed by a decrease in wages. It shows that the reduction in contributions paid is the effect of the large number of layoffs without changing the number of wages reported. They seem able to maintain the stability of the wages of their workers even though employee layoffs are still unavoidable. No significant differences in the reported wages represent that although there have been many layoffs, there is likely to be an increase in wages for employees who are still working.

For medium-sized enterprises, there is a significant decline in the contribution, registered labor, and reported

wages. This decline shows that medium-sized enterprises have laid off many employees and reduced wages during the COVID-19 pandemic and affects the amount paid for social security contribution. The wage subsidy program from the government seems to do not have a notable difference for medium scale enterprises to decrease lay off. This condition also applies to micro enterprises that experience significant decline in three variables.

Since there is no significant difference in registered workforce and reported wages, it is likely that small enterprises can maintain their workforce and stable wages. The reduce in the contribution paid without decrease registered workforce and reported wages means that they do not pay contributions punctual and most likely will close the business. It also indicates that they do not confirm or report to BPJS Employment about their current labor condition.

IV. CONCLUSION AND SUGGESTION

There has been a significant decrease in contributions, registered labor, and reported wages for enterprises participating in BPJS Employment during the pandemic compared to before the pandemic. Large, medium, and small-scale enterprises experience significant loss in contributions. In terms of the reported labor, large, medium, and micro scale enterprises witnessed a significant decline. Meanwhile, in the reported wages, only medium-scale enterprises experience a significant decline.

The decline in the number of contributions, registered labor, and reported wages is a threat to the sustainability of the social security system. For this reason, Government needs to expand wage subsidies program to the new employees and apprentices and provide in-kind benefits as an effort to increase participation of labor in social security employment. In addition, Government must regulate the policy of subsidies for payment of contributions which the amount is adjusted to the scale of the enterprises.

In terms of suggestion for the future research, due to the limited scope of the research and gaps in the data used, there are several suggestions that can be used as a reference for further research, including reassessing research findings. Research data can be obtained from other government bodies, for instance from Ministry of Finance that are integrated with taxation and from Ministry of Labor. Apart from that, it is also highly recommended to use primary data to strengthen research findings by interviews and direct surveys to employer and employee.

For more than two years since the emergence of the first case of COVID-19, the economic impact is still being felt.

For this reason, the next suggestion is that the research period can be made at a relatively longer, considering that government policies are still being made not only to limit the spread of virus cases but also to keep the economic activity growing. After the scope of data and period of the research are amended, more methodological research is needed including what factors affect the payment of social security contributions during pandemic. The aim is to find the key indicators that the government can use in adjusting relevant policies.

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