

“In the long run, strengthening regional cooperation by reviewing, scaling up, and adapting existing policies and systems to accelerate the transition from informal to formal workers is necessary, as it relates to the basics of the Southeast Asian labor system itself.”

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Image Source: A meeting of ASEAN countries in preparation for the 'United Nations Year of Creative Economy for Sustainable Development' in 2021. Bali, Indonesia in 2020.

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Regional integration and cooperation as a response to the crisis: an Indonesian and ASEAN perspective on urbanization, inequality, informality and sustainability

Long-Term Impacts of COVID-19 on Sustainable Development

The United Nations have adopted the 2030 Agenda for Sustainable Development since 2015, in which they committed to set a long-term goal on a sustainable path for people, planet, peace, partnership, and prosperity. The year 2020 should be marked as a kickstart of one decade of SDGs action where countries all around the world work together ac-

celerating efforts and sustainable solutions to the biggest challenges, ranging from eradicating poverty and reducing gender inequality, to addressing climate change. Yet, in only a brief period of time, the COVID-19 has wreaked havoc on all efforts to achieve the 2030 Agenda for Sustainable Development. A report from the UN Conference on Trade and Development (UNCTAD) finds that the COVID-19 pandemic has reversed much of the economic and social progress already made towards SDG achievement.

The economic damage brought by this pandemic is widely assessed and represents the largest economic shock the world has experienced in decades. Despite the extraordinary efforts of governments to counter the economic downturn with fiscal and monetary policy support, the World Bank in the report of Global Economic Prospects January 2021 envisions a 4.3% contraction in global GDP in 2020, with the most vulnerable countries will be far worse off. Over the longer term, the deep recessions triggered by the pandemic are expected to leave lasting scars through higher poverty and inequality, lower investment, and erosion of human capital through job losses and lower skills. According to the World Bank in the Poverty and Shared Prosperity Report 2020, the pandemic could raise the number of people living in extreme poverty by around 88 and 115 million in 2020. The crisis has exposed harsh and profound inequalities in our societies and is further exacerbating existing disparities within and among countries.

Another research conducted by UN Department of Economic and Social Affairs (UN DESA) predicts that around 1.6 billion workers in the informal sectors, which is half of the global workforce, may be significantly affected by the Covid-19 crisis. Notably, the income of informal workers worldwide was estimated to have dropped by 60%, and up to 81% in some regions. The crisis has also significantly increased the vulnerability of the world's one billion slum dwellers, who have already suffered from inadequate housing and limited or even no access to basic infrastructure and services. Moreover, women and children are also bearing the brunt of the crisis. The crisis is creating circumstances that have already contributed to a surge in reports of violence against women and girls, where cases of domestic violence have increased by 30% in some countries. Meanwhile, prolonged absence from school also results in lower retention and graduation rates and therefore worsens learning outcomes for children.

Overcoming the challenges of urbanization: Indonesia and ASEAN Context

The rapid urbanization has been playing significant role in Indonesia's transformation story from rural to urban economy. Today, over half Indonesians live in cities and it is expected to grow even faster in the future. Unfortunately, the increase in urbanization has not been supported by ample infrastructure development. Insufficient infrastructure coupled with population explosion has caused a wide range

of urban problems, ranging from social to environmental issues. Many people came to cities to find a livelihood due to the limited job opportunities in their village, but the number of job opportunities in cities grew slower than the urban population growth. As a result, unemployment rate of urban population is now two times higher than in rural area. This condition leaves many newcomers vulnerable to poverty. Further, the rising population puts pressure on existing infrastructure and land availability as the development of several industrial parks and new towns has converted green and agricultural areas into megacity. It brings many environmental issues, particularly in the capital city of Indonesia, Jakarta, which lies in a lowland area. The massive land conversion has caused the regular annual flooding in Jakarta.

A study from World Bank in 2019 has found that Indonesia has not benefitted as much from urbanization as other countries as 1 percent growth in urban population is only correlated with 4 percent GDP growth, while the number can be reached to 10 percent for China and 7 percent for Thailand. Even though the impact is relatively small, urbanization has contributed to the overall rise of living standards. However, the benefits have not been shared equally due to the lack of skill-matching of the migrants that leads them to poverty. The inequality issue is even rising currently due to the health crisis during the spread of COVID-19 pandemic. The crisis has affected many economic sectors negatively. A lot of businesses have seen revenue

losses, and subsequently, made many employees have lost their jobs. One of the main issue that is associated with the urbanization during the health crisis is the informality in Indonesia's labor market. Indonesia is one of the countries with high number of informal workers. Indonesia's informal employment rate is 44.1 percent where urban areas contribute 60 percent to total informal employment. This is the most vulnerable community to poverty as many of them came from lower income household. Further, they tend to have limited access to jobs opportunity as they have lower levels of education. Thus, the lack of access to social protection coverage in informal workers will only leave the bleaker condition in Indonesia's livelihood during this crisis.

Other ASEAN countries are also struggling with informality, particularly in Brunei Darussalam, Lao PDR, Malaysia, and Thailand as these countries' urban areas also contribute more to total informal employment (ASEAN Secretariat, 2019). ASEAN leaders did adopt the regional action plan in 2016 to start working together in resolving the informality in ASEAN by establishing the informal employment database. However, the current time of crisis calls for a stronger commitment from this region to construct the long-awaited structural reform agenda for informal sectors in the efforts of sustainable recovery.

National Spending Reformulation and Regional Cooperation in Addressing Inequality

To respond to a potentially deep wound left by the COVID-19 crisis, integration and coordination are needed more than ever. In terms of building back the society and economy towards a better, more sustainable path, it is not enough to conduct traditional policy formulation and implementation, heavily revolving around efficiency optimization. Inequality is a massive fault line built even before the pandemic and is cracking even deeper due to the pandemic. Thus, a more thorough emphasis on accommodating the groups of people most damaged by the pandemic is of utmost importance in regard to the agenda of building back better.

Accommodating the most affected groups of people and narrowing gap inequality gaps needs concrete steps in terms of policy formulation. One way is to implement budget refocusing and reallocation by the government towards more equitable budgetary purposes, such as education, health, and ICT. Regarding education, the government needs to secure education as a top priority and address inefficiencies in education spending. National authorities, central government in coordination with subnational and/or local level, also need to focus on addressing learning losses particularly for marginalized groups, provide support for teaching professionals, offer skills for employability programs, while strengthening international coordination to protect foreign aid for education. ICT plays a key role in

rising inequality to education, which has been shown more blatantly during the ongoing crisis. Thus, national leaders need to put emphasis in their policy and budget allocation towards building better ICT infrastructure to ensure an equitable and just distribution of quality education across population.

Strengthening the integration within ASEAN region is needed more than ever as the uncertainty of pandemic might worsen the condition of each member. However, it is feared that the aforementioned forms of regional cooperation could lead to other important issues, such as social welfare and the environment, being neglected. It is thus an important matter to establish regional initiatives that are also promoting sustainable development, starting with paying more attention to issues of informality in the labor market. According to the ASEAN Report (2019), informal employment in eight of the 10 ASEAN countries (excluding Singapore and the Philippines, which have no data) reaches nearly 57.5 million workers across the accommodation and food service sectors, wholesale and retail trade, transportation, and construction.

The COVID-19 pandemic is having a disproportionate crippling effect on the livelihoods of millions of people in informal jobs over those who are formally employed. These people face additional difficulties adapting to this condition, given the various restrictions imposed by the government to contain the spread of the virus. In this case, effective

policy responses must reach them and their families quickly to prevent them from falling (deeper) into poverty. In the short-medium term, we talk about policy responses such as establishing public works programs for informal workers and expanding social assistance programs. In the long run, strengthening regional cooperation by reviewing, scaling up, and adapting existing policies and systems to accelerate the transition from informal to formal workers is also necessary because this is related to the basics of the Southeast Asian labor system itself. One that can be done is facilitating these informal workers to get assistance in the form of skills development.