



Volume 1	Issue 2	November (2021)	DOI: 10.47540/ijqr.v1i2.366	Page: 120 – 126
----------	---------	-----------------	-----------------------------	-----------------

## Economic Recovery: The Role of Business Digitization in Minimizing Unemployment During the Covid-19 Pandemic

Muhammad Ihsaan Rizqulloh

Department of Economic Development, Siliwangi University, Indonesia

**Corresponding Author:** Muhammad Ihsaan Rizqulloh; Email: [mihsaan03@gmail.com](mailto:mihsaan03@gmail.com)

### ARTICLE INFO

*Keywords:* Business Digitization, Covid-19, Economic Recovery, Unemployment.

*Received* : 14 November 2020

*Revised* : 27 January 2021

*Accepted* : 07 February 2021

### ABSTRACT

Business digitization is the change of communication, interaction, and business functions to digital. In business applications, digitization changes the business processes, functions, and business models applied to digital technology. One of the most successful ways to deal with the digital revolution is business digitization in the 5.0 society era. The concept of society 5.0 is related to the National Economic Recovery, which aims to build a human-centered society where economic development and problem-solving can be achieved. The role of business digitization during the Covid-19 pandemic is very influential on the Indonesian economy, especially for government programs that have used digital systems and supported Small and Medium Enterprises (MSMEs). This study uses a qualitative descriptive approach, using secondary data obtained from the Central Statistics Agency, journals, books, and other sources relevant to the research. Based on the research results, there is a very significant change in business digitization in the era of society 5.0, where digital business is more promising than conventional concepts.

### INTRODUCTION

Business digitization is the change of communication, interaction, and business functions to digital. Digitalization transforms business processes, functions, and business models applied to digital technology in business applications. The role of digitization in business activities is none other than minimizing human use, increasing work efficiency, delivering more results, and covering the world (market reach) (M. F. Firmansyah et al., 2021). The impact of technology on business is quite significant because it can reduce unemployment, for example, by facilitating economic transactions through the marketplace. Through digital technology, humans can more easily and quickly find solutions to social problems and replace physical work (Potočan et al., 2021). This phenomenon ultimately builds an idea about technology and humans living side by side to create a more valuable life (Ellitan, 2020). One of the most successful methods to deal with the digital revolution is business digitization in society 5.0. The concept of society 5.0 is to build a human-

centric society where economic development and solutions to problems can be achieved, and everyone can enjoy a quality life (Fukuyama, 2018). In society 5.0, where the main component is humans who can create new value through technological developments, it can minimize gaps in humans and economic problems in the future (Hendarsyah, 2019). Indeed, it does not seem easy to do in a developing country like Indonesia, but that does not mean it cannot be done because currently, Japan has proven it as a country with the most advanced technology (Sugiono, 2020).

By using digital technology, businesses can increase their competitiveness while still surviving the onslaught of technology. By utilizing digital marketing strategies, promotional costs can be reduced or even more optimized (Wardhana, 2015). In practice, it is essential to increase understanding skills in financial literacy to raise awareness and desire to develop digital marketing strategies and use digital technology (M. F. Firmansyah & Maulana, 2021). Therefore, the role of business digitization during the Covid-19

pandemic is very influential on the Indonesian economy, especially for government programs that have used digital systems and support Small and Medium Enterprises (MSMEs). Not only that, programs from the government can collaborate with marketplaces and payments that use cashless to minimize cash transactions and increase the spread of the Covid-19 virus (Sulchan et al., 2018). In sustainable development, the development of this technology can contribute both to business performance on a micro basis but also the performance of macroeconomic growth in national economic development (M. F. Firmansyah, 2021; M. F. Firmansyah et al., 2021)

The spread of Covid-19 wreaks havoc on the social fabric of society. The government, in particular, only concentrates on dealing with Covid-19 without considering the adverse effects on the social fabric of society, especially the MSME economic sector. This can be seen from the government's various efforts to contain the spread of Covid-19. Government measures containing the pandemic have limited physical contact between communities, affecting various formal and informal economic activities (Hanoatubun, 2020). The policy of restricting movement and crowds to contain the spread of Covid-19 directly impacts the economic sector (Nasruddin & Haq, 2020). Because in February 2020, Covid-19 had not been declared a world pandemic. The Indonesian government had made a strategy to prepare for the possible spread of COVID-19 in the country. The government has suspended the issuance of free Visit Visa and Visit Visa on arrival through Permenkumham 7/2020. This law applies to people who have resided in or visited the People's Republic of China within 14 days before entering Indonesia. Due to the emergence of a new variant of the Covid-19 virus, the Indonesian government-imposed travel restrictions for foreign nationals entering the territory of Indonesia or the Unitary State of the Republic of Indonesia. However, the government's efforts did not produce positive results, instead triggering the spread of the Covid-19 virus. This is because the people who initially supported became rebellious, chose not to comply with government policies for the economic welfare of individuals and their families.

As for the community, such as workers, who continue to comply with government regulations,

they wait in the hope that the Covid-19 virus will subside and be able to work again. This hope was dashed because many businesses in the economic sector that went bankrupt could not finance the costs of their employees' salaries and other costs. The negative effect is that many workers, staff employees, and female employees who were initially laid off have changed their status to being laid off (Putri et al., 2020). The emergence of this problem is one of the crucial issues that the government must immediately solve because the increasing poverty rate due to layoffs has triggered an increase in the unemployment rate in the country (Handayani & Rachman, 2020). Digital transformation is needed for business sustainability. The Covid-19 pandemic has driven faster digital transformation and forced companies to change and find new ways of doing business and interacting with consumers. Company leaders must immediately initiate and ensure the success of the digital transformation. The back-end infrastructure and its management strategy are an essential foundation for successful digital transformation. Business sustainability requires digital change. The Covid-19 pandemic has accelerated digital transformation, forcing businesses to adapt and find new ways to do business and connect with their customers. Digital transformation must begin immediately and ensure success. For a successful digital transformation, back-end infrastructure and management strategies are essential foundations (Bangun, 2021).

A series of policies to limit community mobility have been carried out by the government to deal with the impact of the Covid-19 virus. The new government policy rules on Large-Scale Social Restrictions (PSBB) in 2020, which changed to the Implementation of Community Activity Restrictions (PPKM) in 2021, have not had a significant impact on economic recovery. The Minister of Home Affairs established PPKM in Ministerial Instruction Number 1 of 2021. On January 11-25, 2021, the PPKM policy was adopted following the tightening of health regulations in several areas of Java-Bali, which is still being extended until October 18, 2021. Initially only PPKM, Then the status of PPKM Micro, PPKM Emergency, PPKM Level 4, until now the status has changed to PPKM Level 3. Implementing this PPKM in the field does not have much impact

because if the community is too pressured, it will cause mass rebellion in several areas, increasing the number of cases. Covid-19. Of course, this will trigger an increase in the spread of the Covid-19 pandemic. The heated atmosphere between the small communities who run their businesses and the authorities who carry out government policy rules has made some people have the heart to commit several acts of violence. Again, this does not solve the problem but worsens the situation because people are increasingly unwilling to obey all existing rules (Sibuea, 2021).

## **METHODS**

The research used was a literature review method with a qualitative descriptive approach. A qualitative approach is an approach that uses written and oral data, as well as descriptive events, knowledge, or study projects. The data analysis technique used is data analysis in qualitative research, carried out while the data collection process is in progress, and after that, it is carried out for data collection within a certain period (Sugiyono, 2016). Secondary data is data obtained through literature studies in books to find theories relevant to writing (Sugiyono, 2016). The secondary data used in this study were sourced from the Central Bureau of Statistics, scientific journals, books, and other sources relevant to this research.

The focus of the discussion taken in this research is to see the role of business digitization to minimize unemployment during the economic recovery due to the Covid-19 pandemic.

## **RESULTS AND DISCUSSION**

### **Overview of the Unemployment Rate in Indonesia**

Unemployed are people who are currently unemployed and are actively looking for work. Unemployed people are often those who do not have jobs according to their age and duration of work. Working-age is often defined as not attending school but older than the child's age (relatively above 6-18 years old, i.e., education period from elementary school to high school graduation). Meanwhile, students over the age of 18 can be classified as unemployed, although many continue to argue about it (Amirudin, 2016).

Unemployment is a social disease caused by a lack of work or the inability to find work (Ignas,

2004). Unemployment also arises when the workforce does not make a significant contribution to the gross social output of society. The term "unemployed" refers to the workforce who have not worked or are working inefficiently. Unemployment is the most serious macroeconomic problem because it has a direct impact on society (Amirudin, 2016).

According to the Central Bureau of Statistics (BPS), there were 8.75 million unemployed people in February 2021. This number increased by 1.82 million people compared to February 2020, which was 6.93 million.

The Open Unemployment Rate (TPT) is an indicator of the size of the workforce that is not being absorbed by the labor market and shows how the labor supply is underutilized. The TPT from the results of the February 2021 Sakernas shows a figure of 6.26 percent. This implies that there are about six unemployed people for every 100 people in the labor force. TPT increased by 1.32 percentage points in February 2021 compared to February 2020 but decreased by 0.81 percentage points in August 2020. From February 2020, which was 69.21 percent, the labor force participation rate (TPAK) was reported to have fallen to 68.08 percent. However, compared to August 2020, which was 67.77 percent, this situation is improving. Meanwhile, individuals who are officially employed make up 40.38 percent of the total workforce. Meanwhile, individuals who work part-time make up 59.62 percent of the workforce. Even when working hours are considered, 84.14 million people work full time, or at least 35 hours each week. After that, 46.92 million people worked 1 to 34 hours (Badan Pusat Statistik, 2021).

The government has provided Rp 4.9 trillion in cash to the Pre-Employment Card Program participants as an incentive. The key to the success of the Pre-Employment Card Program, according to Coordinating Minister Airlangga, is not only the organizers or the amount of money provided by the government but also the positive changes that occur in Pre-Employment Card users. The Pre-Employment Card Program is a working competency development program and entrepreneurship for job seekers, workers/laborers who have lost their jobs, and workers/laborers whose skills need to be improved, including micro and small businesses owners. This initiative is a

form of cooperation between the government and the business world in serving the community with the spirit of cooperation to improve Indonesia's human resources. Workers/laborers affected by the termination of employment and workers/laborers who need to improve their work skills, such as laid-off workers/laborers and non-wage workers, including micro and small business actors, are all entitled to a Pre-Employment Card. The Pre-Employment Card Program is prioritized for laid-off workers/laborers and micro and small business actors whose livelihoods have been affected by the Covid-19 outbreak (Rahma Ainul Mardiyah, 2020).

### **The Government's Role in Overcoming Unemployment**

In situations and conditions like this, government policies are fundamental because the policies issued by the government will determine the fate of the Indonesian people in the future (Consuello, 2020). Therefore, to reduce the economic impact and maintain people's purchasing power, the government in this condition has accelerated to issue one of its magic cards, this card is called the Pre-Employment Card. This card is one of the social safety nets created by the government. The Pre-Employment Card Program is a training and incentive fee assistance program for laid-off workers/laborers, job seekers, and micro and small business actors who have lost their jobs and experienced a decline in purchasing power due to the Covid-19 pandemic and workers who need increased competence. The Pre-Employment Card Program aims to: (1) increase the productivity and competitiveness of the workforce; (2) develop the competence of the workforce, and (3) develop entrepreneurship.

The results of a survey by the Central Bureau of Statistics (BPS) in August 2020 showed that most pre-employment card recipients stated that the program had improved their work skills. As many as 88.9% of pre-employment card recipients who completed the training said the pre-employment card program improved their skills. Some of the benefits obtained from the pre-employment card program are; (1) receive training as desired; (2) obtain direct cash assistance or incentives; (3) reduce the cost of seeking information about training; (4) help reduce training costs borne by workers and companies; (5) encouraging one's work by reducing the mismatch between the human

resources needed and the job provider; (6) to be complementary to formal education; and (7) providing added value for program participants, as well as providing value for the private sector.

Participants who have attended the training they are interested in will receive the appropriate certificate of expertise. Pre-employment card participants can attach the certificate when applying for a job to increase the company's assessment. In addition, there is training for micro-enterprises so that participants can open businesses later after conducting pre-employment training. Pre-employment card training is conducted online utilizing digitalization and digital platforms and dozens of training institutions that collaborate with pre-employment cards (Permata, 2021).

### **The Role of Business Digitization in Overcoming Unemployment**

In general, the digital economy in Indonesia consists of e-commerce, on-demand services, digital wellness services, fintech, and IoT. Of the five platforms, each of which has its function, there is an excellent opportunity for MSME players to develop their business, especially for start-ups who have just started their business. They can become resellers or drop shippers to minimize the risk of business capital. E-commerce is a company or business offering for transactions or facilitating the sale of products and services by e-commerce, giving rise to e-purchasing and e-marketing. E-purchasing means that companies decide to buy goods, services, and information from various online suppliers. Smart e-purchasing has saved companies millions of dollars in money. E-marketing describes the company's efforts to inform buyers, communicate, promote, and sell products and services via the internet (Helmalia & Afrinawati, 2018).

The Covid-19 pandemic has had a multisectoral domino effect (health, social, economic, financial). However, economic activity must continue while taking into account health factors. The digital economy also has room to grow and create an equal level playing field for everyone. In addition, the digital economy helps encourage inclusion to get services without having to meet face-to-face. Even before the Covid-19 outbreak, e-commerce had attracted many customers in Indonesia. E-commerce is also one of the main reasons Indonesia has the most prominent digital economy in Southeast Asia, with a value of \$40

billion in 2019 and an estimated \$130 billion in 2025. The value of e-commerce transactions in Indonesia grew by 63.36 percent to IDR 186.75 trillion in the first half of 2021. The sheer number of e-commerce transactions reflects the importance of digitizing MSMEs, especially considering how fast the digital economy and finance are developing amid Covid-19. Online purchases and electronic money are driving the digitization of companies, which are becoming more popular among the general public during the Covid-19 pandemic. This could help reduce the unemployment rate during the Covid-19 epidemic, which is still happening due to continued layoffs by businesses reducing their workforce (A. Firmansyah, 2018).

There is a concept of society 5.0, which states that the needs of technology users can be met according to the problem. In other words, the concept of co-creation will allow a product/content to be produced by adapting the problems of technology users. Based on various previous ideas, the process of creating digital content in society 5.0 emphasizes the ability of technology to build networks with various users so that a product/content can be created from creativity and innovation collectively to solve a problem. The presence of technology must be able to produce effectiveness and support interactivity for collaboration and co-creation activities. Humans as content creators cannot be separated from the process of creating digital content because digital content is part of the creative industry that requires human creativity. Digital content workers need a combination of expertise between technology and cultural creativity so that this profession is different from workers from technical fields who do not focus on creativity (Sugiono, 2020).

## CONCLUSION

The cause of a significant increase in unemployment in Indonesia is that it all started from the Covid-19 pandemic in early 2020, which then in response to the government's response to the pandemic, the government issued a PSBB policy in 2020, which in 2021 changed to PPKM intending to limit the number of public activities. This policy hampered economic activities, which resulted in many business activities not getting cash flow so that they could not bear the burden of wages for all workers or laborers. This prompted the company to

make the final decision to terminate employment (PHK) for some workers or laborers, and the number of job vacancies was reduced. This resulted in the economy in Indonesia continuing to slow down and being hampered. Therefore, the number of unemployed in Indonesia continues to increase in line with the Covid-19 pandemic.

The government is trying its best to minimize the increase in unemployment. The government has maximized its efforts in disbursing as much as 4.9 billion in the hope that unemployed people, not permanent workers or victims of layoffs, can rise and start over again by starting a business by registering themselves participating in pre-employment. The government has provided the maximum possible stimulus, starting from financial assistance from pre-employment to training which is expected to benefit the unemployed affected by the Covid-19 pandemic. With the development of technology, the digital economy is currently quite large, so that many unemployed start their business with capital. Assistance from the government starts from creating an online shop to promoting its business using available online media. With the hope of recovering their income and increasing the economic sector in terms of MSMEs.

## REFERENCES

- Amiruddin, I. (2016). *Public Economy*. Yogyakarta: DEEPUBLISH
- Central Bureau of Statistics. (2021). *Sakernas February 2021 Booklet*. Central Bureau of Statistics.  
[https://www.bps.go.id/publication/2021/08/09/790fa89d429d86821c12f57b/booklet-survey-labor\\_force-national-february-2021.html](https://www.bps.go.id/publication/2021/08/09/790fa89d429d86821c12f57b/booklet-survey-labor_force-national-february-2021.html)
- Bangun, R.H. (2021). Disparities in Human Development in North Sumatra. *Journal of Accounting & Economics FE UN PGRI Kediri*, 2013.  
<https://doi.org/10.29407/jae.v6i1.14389>
- Consuelo, Y. (2020). Analysis of the Effectiveness of Pre-employment Cards in the Midst of the Covid-19 Pandemic. *Law and Justice Bulletin*, 4(1), 93–100.
- Ellitan, L. (2020). Competing in the Era of the Industrial Revolution 4.0 and Society 5.0. *Maksipreneur Journal: Management, Cooperatives, and Entrepreneurship*, 10(1),

1. <https://doi.org/10.30588/jmp.v10i1.657>
- Firmansyah, A. (2018). Study of E-Commerce Implementation Constraints in Indonesia. *Telematics and Information Society: Journal of Information and Communication Technology Research*, 8(2), 127.
- Firmansyah, M.F. (2021). Analysis of Economic Growth in Economic Basis, Inequality and Environmental Issues in West Java for the 2010-2019 Period. *Jambura Economic Education Journal*, 3(1), 8–27. <https://doi.org/10.37479/jeej.v3i1.8292>
- Firmansyah, M. F., & Maulana, H. Z. (2021). Empirical Study of E-Learning on Financial Literacy and Lifestyle: A Millennial Urban Generations Cased Study. *International Journal of Engineering, Science and Information Technology*, 1(3), 75–81. <https://doi.org/10.52088/ijesty.v1i3.99>
- Firmansyah, M. F., Rizqulloh, M. I., & Maulana, H. Z. (2021). Study of Information Communication Technology and Economic Growth Performance in Southeast Asian Countries. *International Journal of Engineering, Science and Information Technology*, 1(2), 104–113. <https://doi.org/10.52088/ijesty.v1i2.121>
- Fukuyama, M. (2018). Society 5.0: Aiming for a New Human-centered Society. *Japan Spotlight, August*, 8–13.
- Ignas, K. (2004). Society and the State: An Issue. Magelang: Indonesiaterra Foundation
- Handayani, A. D., & Rachman, A. (2020). The Impact of the Covid-19 Pandemic on Motives and Trends in Searching for Pre-Employment Card Information in Indonesia. *Empowering: Journal of Islamic Community Development*, 5(2), 111. <https://doi.org/10.24235/empower.v5i2.7187>
- Hanoatubun, S. (2020). The Impact of COVID-19 on the Indonesian Economy. *Journal of EduPsyCouns*, 2(1), 146-153. <https://ummaspul.e-journal.id/Edupsycouns/article/view/423>
- Helmalia, H., & Afrinawati, A. (2018). The Effect of E-Commerce on Increasing the Income of Micro, Small and Medium Enterprises in the City of Padang. *JEBI (Journal of Islamic Economics and Business)*, 3(2), 237. <https://doi.org/10.15548/jebi.v3i2.182>
- Hendarsyah, D. (2019). E-Commerce in the Industrial Age 4.0 and Society 5.0. *Iqtishaduna: Our Scientific Journal of Economics*, 8(2), 171–184. <https://doi.org/10.46367/iqtishaduna.v8i2.170>
- Nasruddin, R., & Haq, I. (2020). Large-Scale Social Restrictions (PSBB) and Low-Income Communities. *SALAM: Journal of Social and Cultural Syar-I*, 7(7). <https://doi.org/10.15408/sjsbs.v7i7.15569>
- Gems, C.Q.N. (2021). Analysis of Pre-Employment Card Policy Against Laid-off Workers To Tackle Unemployment In Indonesia. *Journal of Retrieval*, 1(1), 1. <https://www.indonesia-investments.com/id/financial/numbers-macro-economics/employment/>
- Potočan, V., Mulej, M., & Nedelko, Z. (2021). Society 5.0: balancing of Industry 4.0, economic advancement and social problems. *Kybernetes*, 50(3), 794–811. <https://doi.org/10.1108/K-12-2019-0858>
- Putri, R. K., Sari, R. I., Wahyuningsih, R., & Meikhati, E. (2020). Phk Rate Against Decline. *Bismak Journal*, 1(2), 71–76.
- Rahma Ainul Mardiyah, R.N.N. (2020). The Impact of the Covid-19 Pandemic on Children's Improvement. *Spectrum Daily*, 2, 1–11. <https://spektrumonline.com/2020/11/11/impact-pandemi-covid-19-multidimensional/>
- Sibuea, H. Y. P. (2021). Law Enforcement for the Implementation of Emergency Community Activity Restrictions (PPKM) in Java and Bali. *Brief Information*, XIII, 1–6. [https://files.dpr.go.id/puslit/files/info\\_brief/Info\\_Brief-XIII-13-I-P3DI-July-2021-215.pdf](https://files.dpr.go.id/puslit/files/info_brief/Info_Brief-XIII-13-I-P3DI-July-2021-215.pdf)
- Sugiono, S. (2020). The Digital Content Industry in a Society Perspective 5 . 0 Digital Content Industry in Society 5 . 0 Perspective. *Journal of Communication Science and Technology*, 22(2), 175–191.
- Sugiyono. (2016). *Quantitative, Qualitative, and R&D Research Methods*. Bandung: Alfabeta
- Sulchan, M., Maslihatin, M., Sari, E., Yulikah, A., & Sujianto, A. (2018). Analysis of Government Strategies and Policies in Providing Economic Stimulus for MSMEs Affected by the Covid-19 Pandemic. *Journal of Accounting and Economics*, 6(1), 85–91. <https://doi.org/10.29407/jae.v6i1.14954>

Wardhana, A. (2015). Digital Marketing Strategy and Its Implications on the Competitive Advantage of MSEs in Indonesia. In *National Seminar on Finance and Business IV*, April 2015, 327–337.