Young Entrepreneur Transition to Youth NEET During Covid-19 Pandemic: Evidence from Indonesia

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Abstract

The global crisis caused by the pandemic also has an impact on the labor market in Indonesia. Young and women workers are strongly affected by the crisis and economic uncertainty due to the pandemic. One of the perceived impacts is the transition of young workers from entrepreneurs to NEET. This study aims to analyze the determinants of the transition of young entrepreneurs to NEET during the pandemic in Indonesia, both in general and gender-specific models. Data from the National Labor Force Survey (SAKERNAS) with individual panel observation in August 2019 and August 2020 were analyzed using multinomial logistic regression. Important issues related to the determinants of the transition from an entrepreneur to NEET in Indonesia are demographic characteristics, COVID-19 risk status in the area of residence, and employment characteristics. Meanwhile, in the gender-specific model, there are differences in the determinants between male and female models. The transition to NEET can be prevented by improving skills and education for young entrepreneurs, one of which is by expanding the scope of *kartu prakerja*. Specifically, on gender-based policy, women can be directed to the creative economy with flexible working hours.

Keywords: Young entrepreneur, Youth NEET, Multinomial Logistic Regression, Sakernas, Gender-specific model.
JEL Classification: J82, J24, J21

INTRODUCTION

The achievement of macro development target indicators in Indonesia has encountered various obstacles during the pandemic. World Bank (2021) stated that the global crisis caused by the covid-19 pandemic brought unprecedented complications for Indonesia to achieve its development goals. The decline in the Gross Domestic Product (GDP) which has implications for the slowdown in Indonesia's economic growth in 2020 is one form of the impact of the global crisis due to the pandemic in Indonesia.

Slow economic growth indicates that there is pressure on market demand for products produced in a region, which causes changes in labor market conditions. Fondeville & Ward (2014) stated that the crisis will have an impact on the labor market, especially for young people in finding work, maintaining work,

and earning income, as well as various long-term effects such as an increased risk of poverty.

Concerning young workers, the Sustainable Development Goals (TPB) in point 8 focuses on supporting inclusive and sustainable economic growth, full and productive employment, and decent work for all. In a more specific description related to entrepreneurship in point 8.3, the sustainable development goals are focused on efforts to promote development policies that support productive activities, creation of decent jobs, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro, small and medium enterprises. including through access to financial services.

The importance of entrepreneurship in supporting the national economy, placing entrepreneurship as a part of the 2020-2024 National Medium-Term Development Plan (RPJMN). In the 2020-2024 RPJMN Technocratic Draft, the government has launched various policies, including strengthening entrepreneurship and Micro, Small, and Medium Enterprises (MSMEs) to strengthen economic resilience for quality growth.
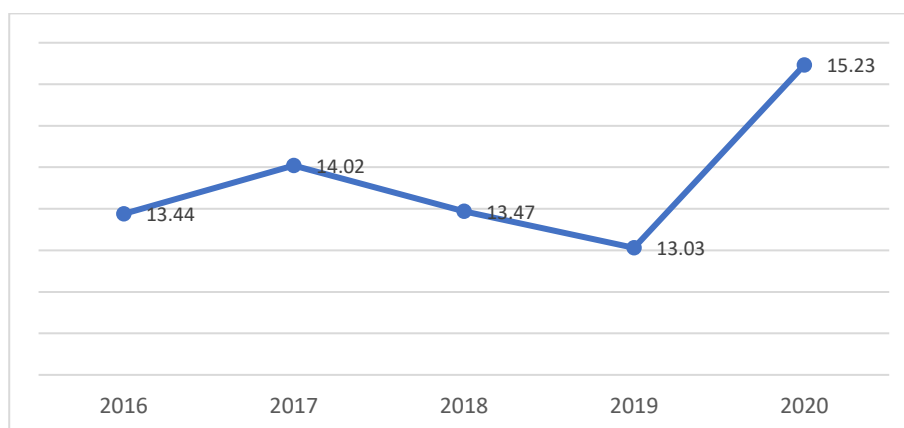
Figure 1. Youth Open Unemployment Rate (TPT) in Indonesia 2016-2020. Source: Statistics Indonesia, 2016-2020

Based on data from Statistics Indonesia in Figure 1, it can be seen that in the last 5 years, Indonesian youth TPT, which has been successfully suppressed throughout 2016-2019, has increased quite dramatically in 2020 during the pandemic to reach 15.23 percent. (BPS, 2020) . This indicates the impact of the pandemic on labor market conditions, specifically on youth.

The increase in youth TPT in Indonesia is inseparable from the economic contraction due to various restrictions on community activities which have an impact on production reductions in various economic sectors that occurred during the pandemic. This gives rise to a scarring effect, one of which is related to an increase in the percentage of unemployment, not the workforce and youth NEET, so efforts to restore the national economy are needed.

Amid various impacts of the pandemic that have affected the increase in the percentage of youth who are unemployed in Indonesia, in 2020 Indonesia is experiencing a demographic bonus. Based on the results of the 2020 Population Census, Indonesia is still in the demographic bonus period where 70.72 percent of Indonesia's population is in the productive age. In addition, as many as 25.04

percent of Indonesia's population in 2020 are in the age range of 15-29 years (BPS, 2021b).

Indonesia, which is currently in the demographic bonus period, in 2020, faces obstacles to optimizing its demographic bonus potential. The transition of young entrepreneurs into Not in Employment, Education, and Training (NEET) youth will be able to influence the potential for successful use of the benefits of the demographic bonus. In 2020, there was an increase in the percentage of youth NEET by 2.51 percent compared to the previous year, reaching 24.28 percent. The percentage of NEET in 2020 reached its highest point in the last five years.

In addition, the achievement of the SDGs and the RPJMN will be hampered by the large number of young entrepreneurs who lose their jobs. Statistics Indonesia noted a decline in the percentage of young entrepreneurs amid the pandemic. In 2019, it was recorded that 13.51 percent of young workers were entrepreneurs, but in 2020, the percentage of entrepreneurs from all young workers was only 12.10 percent (BPS, 2020).

Furthermore, to recover the economy, entrepreneurship is one of the tools to achieve economic growth and the creation of new jobs, so the existence of young entrepreneurs needs to be maintained (Luque & Jones, 2019). However, BPS data shows that during the 2020 pandemic, there was a decline in the number of entrepreneurs assisted by permanent workers from 4.46 million to 4.05 million people. This indicates a decline in the quality of Indonesian entrepreneurs during the pandemic.

Regarding youth, according to Law No. 40 of 2009, youth is defined as Indonesian citizens aged 16 to 30 years which is an important period of growth and development. Furthermore, the young entrepreneur is defined as a youth working with the main employment status including self-employment, trying to be assisted by unpaid workers/family workers, and trying to be assisted by permanent/paid workers. (BPS, 2022) . Concerning the entry of youth into the labor market, The ILO (2020) states that employers play a key role in the entry of youth into the labor market. This is because entrepreneurs know what qualifications and competencies young people must have if they are to be attractive to the business world. At the micro level, incentives should be created for youth to engage in entrepreneurship.

Regarding entrepreneurship, Montes Rojas & Siga (2009) researched that young workers have a high probability of becoming self-employed. In addition, the probability of self-employment failure (as measured by the transition to wage-earning workers) has an inverted U-shape, implying that both high- and low-skill individuals are more likely to remain self-employed. In addition, an analysis of the determinants of youth entrepreneurs performed by Alvarez, Freire Seoane, & Oliveira Silva (2016) found that region of residence, level of education, field of study, and gender, influenced the level of a young entrepreneur who graduated from college in European Union countries. Research on entrepreneurship is also carried out by Luque & Jones (2019) which examines the transition of young entrepreneurs into wage workers and unemployment in the United States using data from a household panel survey during 2005-2013. Furthermore, research conducted by Yadav (2021) states that the main goal of the government in India is to direct youth to become entrepreneurs to overcome various problems to save the economy from the threat of an economic slowdown and save micro-enterprise

activities. In Indonesia, a similar study has been carried out by Sari (2020) which shows that marital status, telephone use, and internet use and experience affect the success of women in entrepreneurship in West Sumatra.

Regarding youth NEET, Zudina (2018) examines the chances of youths aged 15-24 years becoming NEET in Russia and proves that the variables of education, age group, and having been married significantly affect a youth's chances of becoming a NEET. In addition, Quintano, Mazzocchi, & Rocca (2018) also studied youth NEET in Italy and the results showed the effect of the role of education, socio-economic differences, gender, and place of residence on young people's chances of becoming a NEET. Furthermore, Aina, Brunetti, Mussida, & Scicchitano (2021) studied the determinants of young people's chances of becoming a NEET in Italy and found that education, gender, household type, and regional dummy significantly affected young people's chances of becoming a NEET.

Research on the transition of workers during the recession and pandemic was carried out by several researchers such as Zanin & Calabrese (2017), where in their research on the transition of a person in the labor market in Italy, found that the interaction of GRDP and age group, socio-demographic factors, type of worker, employment field, and the number of workers in the company where they work had a significant effect on the chances of a person transitioning into unemployment and not the labor force, both in the male and female groups. In addition, Dütsch & Struck (2014) examined labor mobility patterns in Germany. The transition to unemployment is influenced by individual characteristics and job characteristics. Next up, Golman 2020) examines the transition of youth into formal/informal workers or re-entering education, using household survey panel data from 2003 to 2018 in Argentina.

Based on the description of the research problem and several related studies, this study aims to analyze the determinants of the transition of young entrepreneurs into youth NEET during the COVID-19 pandemic in Indonesia in general and specifically by gender. In addition, this research will fill the gap that is still related to the limited availability of literature related to young workers in Indonesia, especially related to labor mobility in the form of job transition.

METHOD

This research uses individual panel data sourced from the National Labor Force Survey (Sakernas) in August 2019 and August 2020, so that the employment status of a young entrepreneur can be observed continuously in conditions before and during the COVID-19 pandemic. The research focuses on young entrepreneurs aged 15-24 who are transitioning to youth NEET in 2020. The number of observations studied was 3,463 individuals.

The classification of young entrepreneurs based on BPS (2022) is young workers with self-employment status, trying to be assisted by temporary/unpaid workers, and trying to be assisted by permanent/paid workers. In addition, the definition of youth NEET is the population aged 15-24 years who are not in education, employment, or attending training (BPS, 2021). Youth NEET was categorized into unemployed NEET and inactive NEET. Unemployed NEET are young NEET who are actively looking for work. Meanwhile, inactive NEET are young NEET who are not actively looking for work.

Research variables and variable categories are presented in the following table.

Table 1. Research Variables

Variables	Category
Dependent Variable	
The transition of young entrepreneurs (transition)	0 = remaining working (reference category) 1 = transition into NEET 2 = transition into inactive NEET
Independent Variable	
Gender (gender)	0 = Female (reference category) 1 = Male
age group (age)	0 = 15-19 (reference category) 1 = 20-24
Recent Migrant (rise)	0 = recent non-migrant (reference category) 1 = recent migrant
Region Classification (reg_classif)	0 = rural (reference category) 1 = urban
Covid-19 Risk Status (risk_stat)	0 = not affected (reference category) 1 = low 2 = medium 3 = high
Education Level (edu)	0 = low educated (reference category) 1 = high educated (tertiary and upper tertiary education)
Internet usage for work (internet)	0 = Do not use (reference category) 1 = Use
Job Status (job_stat)	0 = Formal (reference category) 1 = Informal
Sector of Employment (sector)	0 = Agriculture (reference category) 1 = Manufacture 2 = Services

Source: National Labor Force Survey (Sakernas) 2019 and 2020

The econometric model used to answer this research objective is multinomial logistic regression analysis. This analysis used for the case of response variables with nominal scale data consisting of three or more categories (Gujarati & Porter, 2013). Furthermore, the resulting logistic regression model must be meaningful where the significance of the model carried out both overall (simultaneously) and individually (partial). Simultaneous test in logistic regression analysis using the G statistical test and partial test using the Wald test (Hosmer, Lemeshow, & Sturdivant, 2013). The parameters resulting from the logistic regression analysis were analyzed using the marginal effect which presents the effect/effect on the independent variable when other variables are constant on the probability of each category of the logistic regression model. (Greene, 2003).

The multinomial logistic regression model used is as follows:

$$ln\left(\frac{P_1}{P_0}\right) = \beta_{10} + \beta_{11}\,gender + \beta_{12}\,age + \beta_{13}\,recent + \beta_{14}\,reg\_classif +$$

$$\beta_{15}\,risk\_stat + \beta_{16}\,edu + \beta_{17}\,internet + \beta_{18}\,skilled +$$

$$\beta_{19}\,job\_status + \beta_{110}\,manufacture + \beta_{111}\,services + \varepsilon_1 \qquad (1)$$

$$ln\left(\frac{P_2}{P_0}\right) = \beta_{20} + \beta_{21}\,gender + \beta_{22}\,age + \beta_{23}\,recent + \beta_{24}\,reg\_classif +$$

$$\beta_{25}\,risk\_stat + \beta_{26}\,edu + \beta_{27}\,internet + \beta_{28}\,skilled +$$

$$\beta_{29}\,job\_status + \beta_{210}\,manufacture + \beta_{211}\,services + \varepsilon_2 \qquad (2)$$

where:

$\left(\frac{P_1}{P_0}\right)$: Probability of transitioning to unemployed NEET, compared to remaining working

$\left(\frac{P_2}{P_0}\right)$: Probability of transitioning to inactive NEET, compared to remaining working

RESULTS AND DISCUSSION
Characteristics of Young Entrepreneur who are Transitioning into Youth NEET in Indonesia during the Pandemic

Most of the young entrepeneurs who transitioned to become youth NEET during the pandemic were concentrated on the island of Java, especially in the provinces of West Java, Central Java, and East Java. This is in line with the impact of covid on labor market conditions on the island of Java where the unemployment rate in the provinces located on Java Island is above the national unemployment rate. Of the 50 percent contribution to the national economy, the provinces on the island of Java were supported so that when the covid-19 pandemic occurred, the provinces in Java experienced the strongest impact regarding the transition of young entrepreneurs into youth NEET.
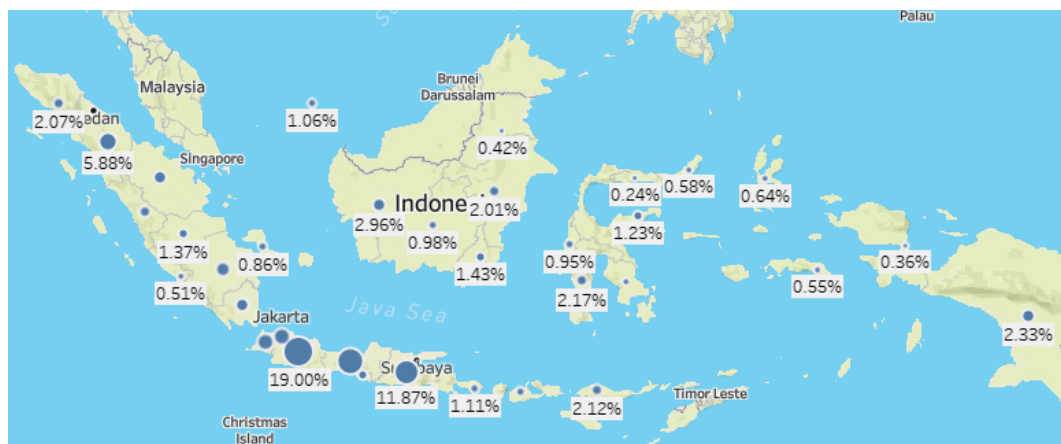
Figure 2. Distribution of Young Entrepreneur Transitioning to Youth NEET in Indonesia, 2020. Source: National Labor Force Survey (Sakernas) 2019 and 2020 (processed)

Based on transition status, 1 in 5 young entrepreneurs transitioned to youth NEET during the pandemic. In more detail, there is 8.16 percent of a young entrepreneurs are transitioning to become unemployed youth NEET, and 12.80 percent of a young entrepreneurs are transitioning to inactive youth NEET. An overview of the characteristics of young entrepreneurs who are transitioning into youth NEET can be seen in full in table 2.

Table 2. Characteristics of Young Entrepreneur by Transitioning Status

Characteristics		Remaining Working (%)	Transitioning to Unemployed NEET (%)	Transitioning to Inactive NEET (%)
Gender	Female	30.1	24.4	67.5
	Male	69.9	75.6	32.5
Age Group	15-19 years	19.7	26.4	18.9
	20-24 years	80.3	73.6	81.1
Recent Migrant	Non-migrant	95.2	98.2	95.0
	Migrant	4.8	1.8	5.0
Region Classification	Rural	53.5	30.4	54.0
	urban	46.5	69.6	46.0
Covid-19 Risk Status	Not Affected	7.5	4.0	6.9
	Low	39.7	29.7	45.6
	Medium	45.7	50.9	42.0
	High	7.1	15.3	5.5
Education Level	Low Educated	43.6	37.0	55.1
	High Educated	56.4	63.0	44.9
Internet usage for work	Not use	63.7	47.0	69.4
	Use	36.3	53.0	30.6
Skilled Workers	Not Skilled	56.6	67.7	63.1
	Skilled	43.4	32.3	36.9
Job Status	formal	6.0	3.0	5.0
	Informal	94.0	97.0	95.0
Sector of Employment	Primary	25.2	15.3	20.9
	Secondary	11.8	11.9	12.4
	Tertiary	62.9	72.8	66.7

Source: National Labor Force Survey (Sakernas) 2019 and 2020 (processed)

Based on table 2, most of the young entrepreneurs who transitioned to become Unemployed NEET were male, which was 75.6 percent. In contrast, the transition to inactive NEET is dominated by young female entrepreneurs. This condition is also similar to the transition status based on internet use at work where the transition to an unemployed NEET is dominated by workers who use the internet at work, while the transition to inactive NEET is dominated by workers who do not use the internet at work. In general, the young entrepreneurs who is transitioning to being NEET unemployed or inactive NEET is dominated by workers in the age group 20-24, non-migrant workers, living in urban areas, living in areas with moderate COVID-19 risk status, having high school education and above, informal workers, and working in rural areas. service sector.

Determinants of Transition from Young Entrepreneur to Youth NEET in Indonesia during the Covid-19 pandemic

The gender of young entrepreneurs has a significant effect on the transition to NEET, both unemployed and inactive. Male entrepreneurs will increase the chance of transitioning to an unemployed NEET, but on the other hand, will decrease the chance of transitioning to an inactive NEET. This is in line with research conducted by Golman (2020) which states that men are more active in looking for work compared to women. Besides that Green (2013) states that men have a greater tendency to become young entrepreneurs compared to women.

Table 3. Multinomial Logistic Regression Results with Marginal Effect

Determinant	Remaining Working	Transitioning to unemployed NEET	Transitioning to Inactive NEET
Male	0.127***	0.026***	-0.153***
20-24 years	0.040***	-0.013	-0.026**
Recent migrant	0.032	-0.047*	0.015
Urban	-0.033**	0.024***	0.008
Covid-19 Risk Status			
Low	-0.011	0.008	0.007
Medium	0.006	0.010	-0.016
High	-0.048	0.050**	-0.001
Higher Education	0.015	0.010	-0.026***
Use internet for work	-0.009	0.027***	-0.017
Skilled	0.046**	-0.007	-0.038**
Informal	-0.034	0.040*	-0.005***
Sector of Employment			
Secondary	-0.007	0.035**	-0.028
Tertiary	0.012	0.020	-0.033
Observation	3463		
Pseudo R^2	0.0681		
LR χ^2	288.30		

Sources: National Labor Force Survey (Sakernas) 2019 and 2020
*** $p<0.01$, **$p<0.05$, *$p<0.1$

Concerning age, the 20-24 years age group will decrease the probability of transitioning to inactive NEET. Research conducted by Beccaria & Maurizio (2020) stated that workers with a more mature age will be better able to stay in their jobs. Meanwhile, younger workers are more likely to stop working until they find a better-quality job.

Recent migrant status has a significant effect on the transition to an unemployed NEET by reducing the entrepreneurial opportunity to become an unemployed NEET by 4.7 percent. This is in line with research conducted by Rodriguez-Modroño (2019); Smyth & Nolan (2022) who found that migrants have a greater tendency to lose their jobs or become unemployed.

The classification of the area of residence only had a significant effect on the transition to NEET employment. Young entrepreneurs living in urban areas will increase the chance of transitioning to an unemployed NEET by 2.4 percent. This condition is in line with a large number of opportunities to find new jobs in

urban areas, following the availability of a more varied choice of types of work in urban areas (Gaffari & Handayani, 2019).

Meanwhile, the COVID-19 risk status in the area where young entrepreneur live only has a significant effect on the transition to an unemployed NEET in areas with a high-risk status category. This is in line with research conducted by (Aina et al., 2021) which states that there is an increased chance of becoming a NEET in areas experiencing strict restrictions during the pandemic.

Higher education has a negative influence on the transition to inactive NEET. For a highly educated young entrepreneurs, the chance of transitioning to inactive NEET will be reduced by 2.6 percent. This indicates that for young entrepreneurs, education can keep an entrepreneur working. Beccaria & Maurizio (2020) state that education and training are forms of human capital that can keep a person in a job.

Young entrepreneurs who use the internet at work will increase their chances of transitioning to an unemployed NEET. This shows that the use of the internet at work is still limited to basic use, namely to communicate, but has not been used for larger functions such as sales and product promotion. Thus, the use of the internet at work has not been able to keep young entrepreneurs from transitioning into unemployed NEET.

On the other hand, a skilled young entrepreneur will reduce the chances of transitioning to becoming inactive NEET. In line with this, research conducted by Galasso (2020) shows that among young workers with low skills, the tendency to lose their jobs or leave the labor market will be even greater amid a pandemic.

In terms of job characteristics, self-employment in the manufacturing sector increases the chances of transitioning to an unemployed NEET. This condition is in line with a fairly strong economic contraction, especially in the manufacturing industry sector in Indonesia during the pandemic in 2020. The manufacturing industry sector experienced economic growth of (minus) 2.93 percent compared to the previous year. (BPS, 2022) .

Determinants of Transition from Young Entrepreneur to Youth NEET in Indonesia during the Pandemic (Comparing Males-Females)

For male young entrepreneurs, the determinants that significantly affect the transition to unemployed NEET are the classification of the area of residence, the COVID-19 risk status in the area of residence, use of the internet at work, informality status, and business fields. Meanwhile, in the transition to inactive NEET, the determinants that have a significant effect are age group, education, skills, and informality status.

In males, higher education will decrease the chances of transitioning to become an inactive NEET. A study conducted by Pratomo (2016) shows that young male workers with high education tend to prefer to be unemployed compared to working but earn less appropriate wages. On the other hand, young workers with low education are less likely to remain unemployed.

In the male model, informal entrepreneurs are the highest in increasing the chances of transitioning to an unemployed NEET. Meanwhile, skilled entrepreneur gives the highest contribution to the opportunity to transition to inactive NEET. In line with this, in 2019, the results of the National Labor Force Survey showed that six out of ten young workers in Indonesia worked in the

informal sector. Workers in the formal sector are vulnerable during a pandemic, study conducted by Beccaria, Bertranou, & Maurizio (2022); Beccaria & Maurizio (2020) found that the informal sector, was hardest hit during the pandemic, which directly led to job losses.

Table 4. Multinomial Logistic Regression Results with Marginal Effect-Males

Determinant	Remaining Working	Transitioning to unemployed NEET	Transitioning to Inactive NEET
20-24 years	0.055***	-0.011	-0.026**
Recent migrant	0.064	-0.045	0.015
Urban	-0.045**	0.021*	0.008
Covid-19 Risk Status			
Low	0.012	0.014	0.007
Medium	0.023	0.009	-0.016
High	-0.044	0.071**	-0.001
Higher Education	-0.011	0.009	-0.026***
Use internet for work	0.014	0.031**	-0.017
Skilled	0.013	-0.021	-0.038**
Informal	-0.074**	0.051*	-0.005***
Sector of Employment			
Secondary	-0.048*	0.046**	-0.028
Tertiary	-0.036	0.011	-0.033
Observation	2388		
Pseudo R^2	0.0399		
LR χ^2	94.75		

Sources: National Labor Force Survey (Sakernas) 2019 and 2020
*** $p<0.01$, **$p<0.05$, *$p<0.1$

Table 5. Multinomial Logistic Regression Results with Marginal Effect- Females

Determinant	Remaining Working	Transitioning to unemployed NEET	Transitioning to Inactive NEET
20-24 years	-0.000	-0.015	0.016
Recent Migrant	0.003	-0.058	0.055
Urban	-0.013	0.030**	-0.016
Covid-19 Risk Status			
Low	-0.078*	-0.004	0.081**
Medium	-0.032	0.010	0.022
High	-0.068	0.010	0.058
Higher Education	0.062**	0.013	-0.075***
Use internet for work	-0.042	0.020	0.021
Skilled	0.113**	0.024	-0.137**
Informal	0.079	0.040*	-0.080
Sector of Employment			
Secondary	0.083	0.017	-0.101*
Tertiary	0.142	0.040**	-0.183***
Observation	1125		
Pseudo R^2	0.0320		
LR χ^2	59.57		

Sources: National Labor Force Survey (Sakernas) 2019 and 2020
*** $p<0.01$, **$p<0.05$, *$p<0.1$

Meanwhile, for women, the transition to NEET is significantly influenced by the classification of the area of residence, informality status, and business field. Women tend to limit working time, especially during a pandemic, this is related to their domestic tasks in the household (Mesiäislehto et al., 2021).

In the transition to inactive NEET, the COVID-19 risk status in the area of residence, education, skills, and business fields are significant determinants. Research conducted by Berggren (2020) shows that there is a close relationship between entrepreneurship education specifically for women to increase women's entrepreneurial resilience.

In the women's model, informal entrepreneurs and entrepreneurs in the service sector make a dominant contribution in increasing the chances of transitioning to becoming unemployed NEET. Meanwhile, entrepreneurs in the services sector make a dominant contribution in increasing opportunities to keep working. Specifically, on gender-based policy, women can be directed to the creative economy with flexible working hours so that they can continue to carry out domestic and household affairs.

CONCLUSION

Young entrepreneurs who are transitioning to NEET are centered on Java Island, especially in West Java, Central Java, and East Java. In Indonesia, there is nearly 20 percent of young entrepreneurs are transitioning to unemployed or inactive NEET.

The characteristics of young entrepreneurs who tend to transition to unemployment NEET are male, live in an urban area, live in areas with high covid-19 risk status, and work as an informal entrepreneur. Meanwhile, the characteristics of young entrepreneurs who tend to transition to inactive NEET are females, aged 15-19 years, low educated, unskilled entrepreneurs, and work as formal entrepreneurs.

On the gender-specific model, the chances of transitioning to NEET unemployment will increase for young entrepreneurs who live in urban areas and work as informal entrepreneurs in both male and female models. Furthermore, the chances of transitioning to inactive NEET will increase in young entrepreneurs with low education and unskilled in both male and female models.

Variations in the characteristics of young entrepreneurs require a combination of appropriate and careful policies from the government so that they will be able to reduce or even prevent the transition to NEET. The government can take policies related to increasing human capital in the form of job training through optimizing the expansion of the pre-employment card coverage to reach the age of 15-18 years. In the pre-employment card program, it is possible to strengthen the digitalization-based entrepreneurial curriculum and the creative economy under the development of the digital economy. Specifically, young female entrepreneurs, can be directed to the creative economy with flexible working hours so they can continue to carry out household domestic affairs.

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