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COVID-19 AND CAPITALIST STRUCTURE: EVALUATING OF WORKING-CLASS INEQUALITY AND POLICY EFFECTIVENESS IN SOUTHEAST ASIA

**¹OK. Mohammad Fajar Ikhsan, ²Shazwanis Shukri,
³Siti Darwinda Mohamed Pero, ⁴Muhammad Arifin Nasution &
⁵Muhammad Ali Ridha Norman**

^{1,2,3&5}Department of International Relations

School of International Studies, Universiti Utara Malaysia, Malaysia

⁴Faculty of Social and Political Science
Universitas Sumatera Utara, Indonesia

¹Corresponding Author: ikhsan@uum.edu.my / ok.isan@yahoo.co.nz

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ABSTRACT

The COVID-19 pandemic has intensified global social inequalities and disrupted socio-economic stability, as recognized by the World Health Organization (WHO). This study uses Marxist and critical theoretical frameworks to analyze how the pandemic has exacerbated class struggles and socio-economic disparities, focusing on the working and lower-middle classes in Southeast Asia. Through case studies of Indonesia and Malaysia, the research evaluates national policy responses designed to protect these groups. Employing a descriptive and qualitative methodology, including analysis of official

data and media discourse, the study highlights how the pandemic has amplified existing contradictions within capitalist systems, leading to increased job losses and widening labor market inequalities. Despite the introduction of economic stimulus packages, these measures often fail to address the underlying systemic issues of capitalism that perpetuate class exploitation and inequality. The paper critiques the capitalist framework for exacerbating the challenges faced by the working class during the pandemic, arguing that these policies offer only temporary relief without tackling the root causes of socio-economic disparities. This analysis underscores the need for a more transformative approach to understanding and addressing capitalist dynamics in Southeast Asia.

Keywords: COVID-19, Marxism, labour class, capitalism, Indonesia, Malaysia.

INTRODUCTION

In March 2020, the World Health Organization (WHO) officially declared that COVID-19 had attained the status of a global pandemic (WHO, 2020). The announcement was based on reports provided by the government of Thailand, which confirmed the presence of COVID-19 cases in the country. It is essential to acknowledge that the impact of the COVID-19 pandemic extends beyond Thailand, as it has affected other nations in the Southeast Asian region, such as Indonesia and Malaysia.

The COVID-19 pandemic has been a significant catastrophe for human life and civilization. Its consequences are not limited solely to health-related issues. The pandemic has engendered a shift in dynamics, leading to a range of challenges across social, economic, political, and even human rights. This is because the COVID-19 pandemic has occurred within a globally interconnected world, presenting an exceedingly complex problem.

Prior to immersing into the intricate analysis of the case study, this article aims to establish a profound comprehension of the contextual milieu and intricacies within the global political economy framework. These elements function cohesively, exerting a collective influence on the disparities and circumstances faced by the working class. Within

this interwoven global landscape, nations hinge on the collaborative principles entrenched in neoliberal economic ideologies, wherein market dynamics outstrip mere domestic consumption.

Producers actively participate in cross-border commercial activities facilitated by free trade agreements, illustrating the intricate workings of globalization and transnational systems predicated upon the dynamics of global supply and demand. This phenomenon is commonly recognized as the global supply chain. The degree of interdependence a country maintains with others carries critical importance in optimizing returns within the production sphere (exports) and addressing domestic needs in the absence of competitive advantages (imports).

The COVID-19 pandemic necessitated nations to implement stringent measures, like imposing lockdowns that curtail the movement of both individuals and goods across international boundaries. This abrupt interruption and fragmentation of the previously interconnected global economic fabric had raised significant apprehensions. These disruptions had led to economic constraints, leading to breakdowns in global, regional, and national supply and demand dynamics, often manifested as supply and demand shocks.

Henceforth, the entire spectrum of societal strata, encompassing the affluent elite (holders of capital) and the middle to lower class (labor force) had to grapple with the aftermath of market inefficiencies and the cessation of unimpeded trade, notably impacting manufacturing and final goods industries. Entities operating within these domains witnessed a substantial downturn in revenue, as is illustrated in Figure 1. The turnover of capital and corporate endeavours intricately intertwined with diverse tiers of production and corporate efficiency.

This situation suggests that the ramifications of COVID-19 and the enforcement of lockdown protocols extend beyond just major corporations halting their operations; it also profoundly impacts the working class as this situation has led to widespread unemployment. By June 2020, the sectors under shutdown accounted for a staggering loss of 10 million jobs, with the unemployment rate in leisure and hospitality hovering near 30 percent, as is illustrated in Figure 2. It has become evident that COVID-19, which brought the widespread lockdown policies enacted by most nations and caused the cessation

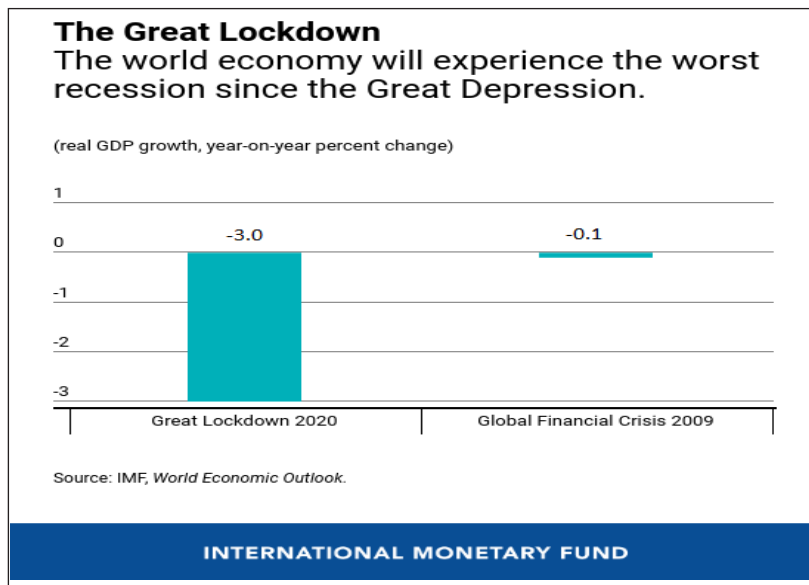
of production systems and the closure of businesses, had significantly affected the working class.

COVID-19, Global Economic Recession, and Inequality

As Azzopardi, Hermansen, Lenain, and Sutherland (www.oecdecoscope.blog, 2020, accessed on Dec 20, 2020) from the OECD Economics Department had pointed out, the COVID-19 crisis differed from conventional recessions caused by the buildup of various imbalances (e.g., inflation in the early 1980s, credit bubbles in 2008). The COVID-19 crisis stemmed from the government-enforced lockdown measures to safeguard the population from the pandemic. For instance, in the United States, non-essential enterprises faced mandated closures, precipitating a substantial job loss. Over a mere two-month period, the unemployment rate skyrocketed from an initial low of 3.5 percent in early 2020 to an unprecedented 14.7 percent, the highest pinnacle recorded since the post-war era (D. Azzopardi, M. Hermansen, P. Lenain and D. Sutherland, Accessed on Dec 20, 2020).

Figure 1

Comparison of GDP Growth in 2020 and Financial Crisis in 2009



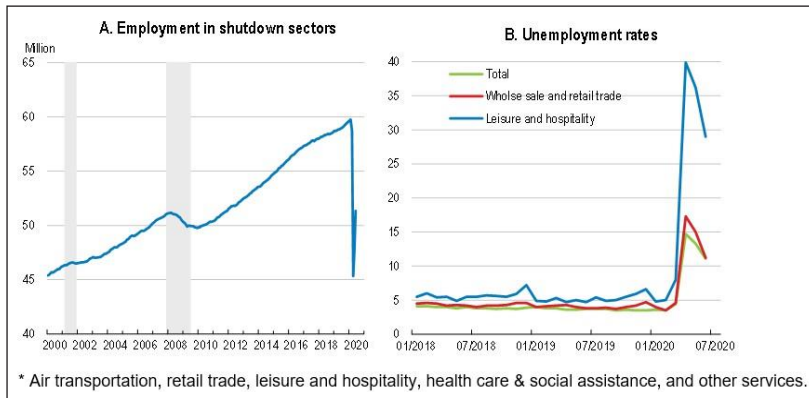
Note. Source is the International Monetary Fund (www.imf.org).

This scenario has exposed the inadequacy within prominent capitalist entities to commercialize their goods efficiently. It aligns with Marx's (1894) concept of a crisis within capitalism, viewed through an alternative analytical lens. Consequently, this inadequacy has seriously affected the stability and welfare of the working-class populace. It can be construed as a capitalist-labor disruption, where the repercussions of COVID-19 were felt not solely within the capitalist stratum but had also profoundly affected the working class. This cascade had precipitated diverse societal concerns, such as heightened disparities, diminished purchasing capacity that resulted in reduced consumption, and a realignment of laborers toward the marginalized socioeconomic segment. This segment is often denoted as the underclass in scholarly discourses, as can be seen in the work of Myrdal (1963), Auletta (1982), and Gilbert (1998).

Theoretically, the working class, comprising both the middle and lower strata, remains tethered and subservient to the upper class of capitalist society. Despite the acknowledged exploitative nature of this dynamic, as articulated by Wright (1994), the working class always winds up in a paradoxical position, devoid of alternatives but to rely on the capitalist class. Advocates of liberal doctrines contend that the interplay between these classes fosters economic advancement, given the reliance of the capitalist class on the labor provided by the working class for production. Conversely, Marx (1848), and adherents of Marxist thought underscore the inherent inequality and disparity inherent in this relationship. However, amidst the backdrop of the COVID-19 pandemic, numerous laborers are compelled to seek fresh economic pathways for employment and sustenance. This dovetail reliance is the textbook concept of a reallocation shock advanced by Barrero et al. (2020), particularly impacting the working class who grapples with substantial challenges in securing their means of subsistence.

Figure 2

Employment in Shutdown Sector & Unemployment Rates



Note. Source is www.oecdecoscope.blog

UNDERSTANDING THE WORKING CLASS: A CONCEPTUAL FRAMEWORK

Working Class and Class Struggle in Capitalist Structure

Marx's most significant contribution lies in describing the concept of class struggle that serves as the driving force for the working class (proletariat) to protect their rights and freedoms and prevent them from enduring continued exploitation by the capitalist class (bourgeoisie) (Ikhsan et al., 2022). Therefore, as posited by Lavelle (2012), understanding the construct of the "working class" entails acknowledging its historical roots as a political classification denoting a distinct societal subset—the proletariat, a group of unskilled labor primarily employed within industrial settings. Building upon Gorz's (1982) assertions, the contemporary landscape encompasses a substantial populace falling within the realm of the postindustrial neo-proletariat. This group, devoid of firm job stability or distinct class identity, often partakes in precarious, contractual, transient, and part-time employment engagements.

Yet, in the foreseeable future, automation is anticipated to eradicate these roles substantially. The obstacles encountered by the working class are progressively accentuating, presenting substantial perils.

Even in the absence of COVID-19 influences, the working class confronts a landscape entrenched in uncertainty that makes them reliant on prevailing employment agreements. Within the contemporary milieu, Marx and Engels (“Manifesto” 14) assert that the proletariat has evolved into the present-day iteration of the working class.

As underscored by Lavelle (2012), the term “working class” encapsulates a theoretical framework identifying a socioeconomically disadvantaged stratum within society. This examination reveals that a significant proportion of the working class fails to be included in the precariat category, and they lack formal employment contracts with their employers. By deploying critical theories to scrutinize the predicament of the working class, one discerns a discernible reliance on the capitalist class, reminiscent of the dependency theory model observed between core and peripheral states.

Analogous to the manner in which industrial advancements and commercial expansions predominantly favor core capitalist states, the semi-peripheral and peripheral states often serve as arenas for natural resources and labor force exploitation, which fosters socioeconomic disparities between the bourgeoisie (capital holders) and the proletarian class (laborers) on domestic and global scales (Ikhsan et al., 2020). This interplay exemplifies the defining features of the capitalist system.

Nonetheless, this correlation inherently fosters an asymmetry among the factions engaged within the production framework, as prominently showcased in well-documented instances like the maquiladoras, which curtail the rights of female laborers (Kay, 1979). As Kay has emphasized, the working conditions endured by the proletariat depict a complete destitute environment, as most laborer interacts either under the ownership of others or under company assets. Despite potential commonalities in specific pertinent aspects, individuals cannot be uniformly treated across all dimensions (Nagel, 1991).

Within the framework of Orthodox Liberal economics (OELs), an assumption of universal equality and autonomy for individuals to govern their lives exists, particularly in their engagement within market spheres. This ideology espouses the assurance of equal prospects, advocating for limited governmental interference in societal market endeavors. However, in practical application, these concepts

and principles are often co-opted by the priorities of the dominant faction that sideline the interests of the broader populace, especially those within economically marginalized segments.

During the COVID-19 pandemic, attributing blame exclusively to the government poses challenges. However, it remains morally justifiable to highlight the responsibilities of capital owners (capitalists). They have amassed considerable wealth derived from the labor force within their enterprises but frequently need to offer adequate financial and non-financial backing or aid in enhancing the circumstances of the working class. Their inclination leans towards seeking governmental intervention and financial assistance for their corporations.

On the other hand, Keynes (1963) contended that a liberal framework embodies the principle of safeguarding individual liberties rather than curbing security. Similar to Adam Smith, he posited that the economy is an instrument inseparable from its societal function. Primarily, Keynes (1963) adopted a moral humanist position, aiming to confront the difficulty of accumulating wealth, a condition he regarded as a “somewhat distasteful affliction.” He envisioned a society where the majority could dedicate their leisure to contemplation and the pursuit of a gratifying existence.

An alternative viewpoint influenced by Keynesian principles, the Heterodox Interventionist Liberal (HILs) perspective asserts that the government shoulders a crucial obligation in shaping the economic landscape, specifically to engender fair economic circumstances. Grounded in Keynesian tenets, it advocates for state interventions that prioritize society’s overarching welfare above the concerns of the privileged capitalist faction. This goal can be achieved through the enactment of stringent market regulations aimed at fostering stability and ensuring an equitable fulfillment of the rights associated with the working class.

Throughout history, employers often choose to downsize, citing reasons for efficiency, economic downturns, and cyclical economic fluctuations. From a Marxian and Hegelian lens, the dynamic between employers and the laboring class is perceived as a service agreement rather than a conventional employment contract. The latter regards that the establishment will frame the terms for the formal

subordination of labor to capital (Screpanti, 2008). The employment contract symbolizes the authority of the capitalist class in overseeing and exerting dominance over labor activities within the production sphere.

The discussion concerning the ongoing conflict between economic efficiency and the deficiencies faced by workers underscores the detrimental impact of imbalanced factors on the working class. Thus, it is not surprising that, amid the COVID-19 era, an enduring and prevalent contention persists between the capitalist class, which places responsibility on the government or state for enforcing lockdown measures, disrupting the economic continuum. This conflict is visibly conspicuous through the lens of economists globally.

Simultaneously, the working class persists amidst enduring challenges, an endurance often attributed to the relentless pursuit of self-interest of the capitalists and the government's persistent efforts to fortify their agendas. Embedded within the perspectives advocated by influential Ordoliberal theorists like Walter Eucken and Franz Böhm, who motioned that the state should foster a favorable legal framework for the economy that maintains fair competition through the implementation of market-oriented measures (Werner, 2012). Conversely, this endeavor should be seen as a governmental pursuit directed toward safeguarding the welfare of the laborers and instituting appropriate regulatory frameworks to achieve equilibrium between the working and capitalist classes.

RESEARCH METHODOLOGY

This study employs a descriptive qualitative methodology with secondary data collection. Qualitative research is an inquiry process aimed at understanding a subject to obtain data, information, and textual views of respondents using various methodologies in social or humanitarian issues or phenomena. Creswell and Creswell (2018) describe qualitative research as a study that heavily relies on broad-scope information and general questions. This study utilizes secondary data gathered from various documentation sources such as books, newspapers, academic journals, and official documents from the governments of Indonesia and Malaysia. The data were analyzed

using thematic and case study approaches, integrating theories and concepts related to the Marxism's theory of working class and unemployment.

A case study is conducted on a unitary system to gather data, extract meaning, and gain understanding from a specific case. This study focuses on case studies in Indonesia and Malaysia to explain and provide insights into the conditions of the working class, who were most affected by the COVID-19 pandemic in these two countries. Furthermore, this case study intricately describes and compares the steps and policies taken by both nations in addressing these socio-economic issues. By employing a case study approach, the research findings offer a comprehensive understanding of the highlighted issues within the realm of political economy.

Additionally, this study critiques the capitalist structures that exacerbate the socio-economic challenges faced by the working class. The analysis highlights how capitalism's inherent inequalities have been intensified by the pandemic, further marginalizing the working class and complicating their recovery. By examining the interplay between capitalism and the socio-economic fallout of COVID-19, this research provides a critical perspective on the systemic issues perpetuating inequality in Southeast Asia.

ANALYSIS AND INSIGHTS

The Socioeconomic Fallout and Unemployment Condition of the Working Class in Indonesia

Indonesia, the most populous nation in Southeast Asia, has encountered substantial repercussions due to the COVID-19 pandemic. The Ministry of Health of the Republic of Indonesia has documented over 236,519 confirmed cases of COVID-19, accompanied by a total mortality count surpassing 9,336 (refer to Table 1). Correspondingly, the World Health Organization has reported 557,877 confirmed cases and a death toll of 17,355 (World Health Organization, 2020). Besides the broader global socio-economic ramifications, this pandemic has adversely impacted various sectors of Indonesian society, notably affecting the lower and middle socioeconomic strata. While a complete lockdown was not enforced, visible signs of economic deceleration have emerged (Ikhsan et al., 2020)

Table 1

Presentation of COVID-19 Deaths in 10 Provinces with the Highest Positive Cases in Indonesia (as of June, 2020)

Province	Case	Death	Percentage of Death
South Kalimantan	1.033	90	8,7 %
East Java	5.318	429	8,1 %
Banten	954	69	7,2 %
Jakarta	7.623	523	6,9 %
West Java	2.319	154	6,6 %
Central Java	1.455	71	4,9 %
South Sulawesi	1.688	75	4,5 %
South Sumatera	1.029	35	3,4 %
West Nusa Tenggara	685	13	1,9 %
Papua	858	7	0,8 %

Note. Source is the Ministry of Health, Indonesia (www.kemendes.go.id).

The Ministry of Finance of the Republic of Indonesia has affirmed that the onset of the COVID-19 pandemic has precipitated a discernible escalation in both poverty levels and the increasing incidences of unemployment within the nation (www.bisnis.tempo.co, accessed Dec 22, 2020). According to statistics provided by the National Development Planning Agency of Indonesia, the implementation of extensive societal restrictions (PSBB) by the Indonesian government had substantially contributed to a notable surge in unemployment, impacting an estimated 3.7 million individuals (www.kompas.com, accessed Dec 22, 2020). The Ministry of Finance foresaw a potential escalation in the unemployment figures, projecting a feasible rise to as high as 5 million people (www.republika.co.id, accessed Dec 22, 2020).

Furthermore, as per the Ministry of Manpower of the Republic of Indonesia (KEMNAKER RI), the COVID-19 outbreak, as of May 1, 2020, had precipitated the dismissal of 1,032,960 employees in the formal sector and 375,165 individuals in the informal sector. The pandemic had also impacted an additional 314,833 workers within the informal sector.

Consequently, the collective count of affected individuals across both formal and informal sectors stands at 1,722,958 people (Ministry of Manpower of the Republic of Indonesia, 2020). This data has elucidated a prominent gender imbalance amidst the unemployed, with

male workers constituting the majority at 71.62 percent (1,537,439 individuals), while women comprised only 28.38 percent (609,228 individuals) of this demographic (www.liputan6.com, accessed Mar 1, 2020).

Table 2

The Highest Open Unemployment Rate in Indonesia in 2020

Region	Unemployment Rate (%)
Banten	8,01
West Papua	6,20
South Sulawesi	6,07
North Sulawesi	5,57
Central Java	4,15
Yogyakarta	3,38
Bangka Belitung	3,41
Bali	1,21

Note. Source is CNN Indonesia, 2020.

The escalating frequency of employer-initiated terminations bears the potential of triggering an unforeseen upsurge in poverty rates and exacerbating inequality in Indonesia. Furthermore, the enduring persistence of the pandemic had posed a tangible risk of social discord and instability unless proactive measures were instituted to avert such ramifications (Ikhsan et al., 2020). Legislatively, Article 151, paragraph (1) of Law Number 13 of 2003 regarding Indonesian Manpower (Labor Law) underscores the collective responsibility of companies, trade unions, and workers to exhaust all avenues in preventing employment terminations.

Additionally, Article 164, paragraph (1) of the Manpower Law grants employers the authority to effectuate layoffs, particularly those attributable to force majeure. These terminations necessitate substantiated grounds, compliance with severance obligations towards workers, and adherence to the prescribed procedures delineated in Chapter XII of the Manpower Law concerning Employment Termination (Zaini, 2017).

The data released by the Ministry of Manpower of the Republic of Indonesia shows that over 17.8 percent of enterprises committed to employee layoffs amid the COVID-19 pandemic. Findings from a 2020 survey conducted by the Ministry of Manpower and Transmigration

indicated that around 88 percent of businesses have experienced the repercussions of the pandemic that led to operational deficits (www.merdeka.com, accessed Mar 1, 2020).

Within the Indonesian capital, Jakarta, the cessation of employment (PHK—Pemutusan Hubungan Kerja) had impacted more than 6,782 businesses due to the COVID-19 outbreak and the enforcement of lockdown measures (www.liputan6.com, accessed Mar 1, 2020). The pivotal contribution of Indonesia's middle class to the economic system and production is unquestionable (Ikhsan, Islam, Khamis, Sunjay, 2020).

This complex scenario is closely linked to the efficacy and productivity of corporate systems. When governmental mandates like large-scale social restrictions (PSBB) were enforced during a pandemic, economic operations ground to a halt. It became apparent that companies could only maintain their functions for a limited span—typically two to three months—owing to inadequate reserves, which would ultimately culminate in layoffs due to production and transactional setbacks.

Most of the unemployed population were found to be from the younger demographic, specifically those aged 15-24, accounting for 16.28 percent. Conversely, the lowest unemployment rates were observed in the 60-year-old age group, at 1.08 percent. This trend is anticipated due to the ongoing job search process among the younger age brackets. Research by the Central Statistics Agency (BPS) indicated a decrease in urban unemployment from 6.3 percent to 6.15 percent. In contrast, rural unemployment increased from 3.45 percent to 3.55 percent. These figures represented the statistical positions preceding the onset of the pandemic (CNN Indonesia, 2020).

During the tumultuous period of the pandemic, Indonesia witnessed a concerted effort across various employment sectors to navigate the economic fallout effectively. Among the multifaceted strategies employed, one notably prevalent measure taken by several industries was employee termination. Insights gleaned from data released by the Coordinating Ministry for Economic Affairs of the Republic of Indonesia provide a nuanced view into the extent of employee termination across different sectors during this challenging time.

During this economic turbulence, certain sectors stood out for the higher frequency of their employee terminations. The building construction sector, for instance, reported a substantial 29.3 percent

rate of employee termination. Similarly, the trade, restaurants, and accommodation sectors recorded a significant 28.9 percent engagement in employee termination practices. Additionally, the electricity, gas, and water supply sectors were notably affected, with 28.6 percent resorting to employee terminations as part of their economic adjustments (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2021).

Conversely, amidst the spectrum of sectors, some exhibited a relatively lower incidence of employee termination. Notably, the agriculture, plantation, forestry, and fisheries sectors experienced a significantly lower frequency, with only 4.1 percent engaging in employee terminations during this period. Similarly, the social services sector demonstrated a relatively reduced rate of employee termination, which stood at 7.9 percent (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2021).

This comprehensive data underscores the divergent impacts of the pandemic across sectors in Indonesia's labor landscape. It illuminates the varied coping mechanisms adopted by different industries, highlighting disparities in the vulnerability and resilience of sectors amidst the economic turmoil. Such insights into sector-specific responses offer valuable perspectives for policymakers, stakeholders, and analysts aiming to comprehend the differential effects of the pandemic on Indonesia's labor market and its ability to strategize for future resilience and recovery efforts.

In 2022, unemployment in Indonesia had been reduced, though it had yet to return to pre-COVID-19 levels. According to the BPS release in 2022, the number of unemployed individuals in Indonesia stood at 8.40 million, as of February 2022. This marked a decrease of approximately 350,000 people from the February 2021 figure of 8.75 million individuals. However, Indonesia's unemployment rate has yet to return to its pre-pandemic status (Sutrisno, 2022).

In 2023, the BPS reported the number of unemployed individuals in Indonesia to be at 7.99 million (Said, 2023). This figure still surpassed the pre-COVID-19 levels observed in 2020. Despite this, a successful reduction in unemployment was observed compared to the previous year. The unemployment rate in February 2023 decreased by 410,000 individuals compared to the same period in 2022. Notably, rural unemployment post-pandemic could be considered as having recovered, evidenced by the rural unemployment rate of 3.42 percent,

which was lower than the 3.49 percent recorded in February 2020. However, urban unemployment remained higher than pre-pandemic levels despite a declining trend.

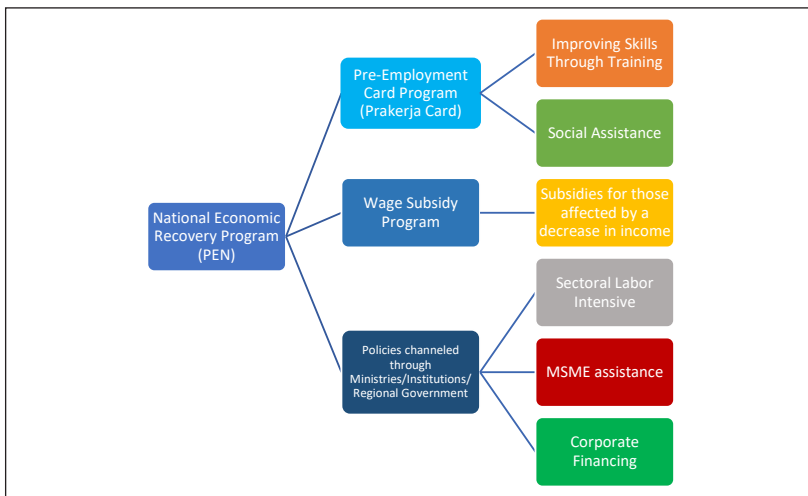
Spatially, the BPS noted that ten provinces had unemployment rates above the national average. These provinces included Aceh, West Sumatra, Riau Islands, Banten, DKI Jakarta, West Java, East Kalimantan, North Sulawesi, Maluku, and West Papua. Among the total employed population, most worked in the agricultural sector, amounting to 29.36 million individuals. This sector saw a 0.05 percent increase in workforce compared to the previous year. Other sectors that had absorbed a significant labor force were the trade and manufacturing industries (Said, 2023; Sembiring, 2021; Julita, 2020).

Economic Policies and Worker Protection Strategies in Indonesia During COVID-19

During the COVID-19 pandemic, the Indonesian Government endeavoured to undertake various measures to mitigate the pandemic's negative impacts on the economy and unemployment rates among affected communities. These efforts were materialized in a program known as the National Economic Recovery Program (PEN).

Figure 3

Government Economic Policies in Addressing the Impact of COVID-19



Note. Source is the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2021.

As a result, government involvement becomes imperative within the economic framework, especially through direct aid to the impacted community and labor force. Simultaneously, it served as an intermediary between employers or corporations and their employees. As a broad initiative, the Indonesian government has earmarked an economic stimulus package within the framework of the Emergency Economic Rescue Plan. In late March 2020, the President of the Republic of Indonesia enacted the Government Regulation in Lieu of Law Number 1 of 2020 (PERPPU 01/2020) to manage its financial policies and ensure stability within the financial system during COVID-19, with an approximate allocated budget totalling Rp. 405.1 trillion.

Similarly, the Indonesian government has instituted two primary strategies to safeguard workers impacted by layoffs during the pandemic. The initial approach revolved around the implementation of the pre-employment card (Kartu Pra-Kerja) program, aimed at pursuing enduring objectives such as imparting training and nurturing entrepreneurial acumen. The second strategy involved disbursing incentives to those facing layoffs. The scheme explained that each affected worker would receive an incentive ranging between 1 million to 5 million Rupiah over three months. Nonetheless, it is imperative to acknowledge that these figures and incentives fall notably short when juxtaposed with the incurred expenses and levels of inflation.

Within the banking sector, the Indonesian government has initiated a sequence of economic stimulus actions, focusing on aiding and supporting sectors profoundly affected by the current situation, particularly small and medium enterprises (SMEs) and the informal sector. Additionally, consistent assessments of credit and financing restructuring policies, coupled with efforts to enhance the accessibility and promotion of Business Credit, were introduced (Kredit Usaha Rakyat – KUR) (www.kemlu.go.id, accessed Aug 22, 2020).

Additionally, the Indonesian government implemented fiscal stimulus as an intervention strategy to foster economic stability. These measures were specifically aimed at mitigating profound economic challenges by establishing a social safety net for Low-Income Communities (MBR) (www.kemenkeu.go.id, accessed Aug 22, 2020).

In order to sustain Micro, Small, and Medium Enterprises (SMEs), banks were encouraged to facilitate initiatives for loan restructuring,

offer interest rate reductions, and extension of payment terms. Moreover, a researcher associated with the Institute for Development of Economics and Finance (INDEF) has pointed out that certain segments of the middle-class and precariat population were not benefiting from any governmental financial assistance (www.bbc.com, Accessed, Aug 22, 2020). Moreover, this policy extended its support by facilitating access to capital or alternative funding models for Micro, Small, and Medium Enterprises (MSMEs). It offered financial backing to corporations strategically aimed at curbing economic instability and bolstering resilience amid the ongoing pandemic challenges.

In addition, the government's Salary Subsidy Program, which was introduced during the pandemic, emerged as a pivotal initiative. Its primary goal was to extend salary subsidies directly to workers who had faced income reductions due to the pandemic's economic impact. This strategic move operated as a shield, aiming to fortify business sectors from potential bankruptcies triggered by labor expenses that surpassed the income generated.

Another significant aspect of the government's response involved the deployment of policies through ministries, institutions, and local governments. This comprehensive policy framework was designed to deliver an array of incentives and support mechanisms, fostering collaborations with various entities. These initiatives were undertaken through ministries, institutions, and local governments at both the provincial and district/city levels. The strategy had focused on channelling labor-intensive incentives specifically to sectors profoundly affected by the crisis, encompassing fisheries, agriculture, trade, and similar sectors.

Unemployment Trends and Insights

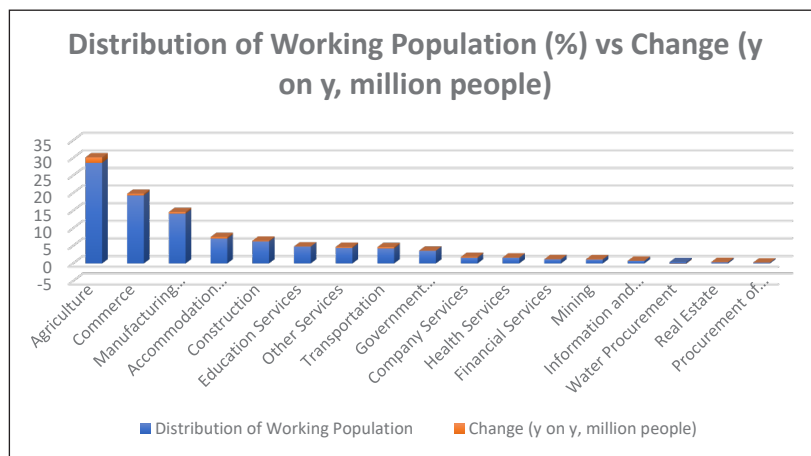
Currently, Indonesia's labor market is showing signs of improvement in step with a strengthening economy. Yet, it has not fully recovered to pre-COVID-19 levels despite a notable reduction in the number of people in the workforce impacted by the pandemic. The employed populace has reached 135.30 million individuals, marking a rise of 4.25 million since August 2021. The sectors experiencing the most substantial employment surge are in agriculture, forestry, and fisheries, witnessing an increase of 1.57 million individuals. Conversely, the water supply, waste management, and recycling sectors have seen a decline of 0.05 million individuals.

Examining the population employed in their primary fields of work offers insights into the labor force structure within the job market. According to the August 2022 National Labor Force Survey, the leading sectors absorbing labor were in agriculture, forestry, and fisheries, constituting 28.61 percent; wholesale and retail trade, including motor vehicle and motorcycle repair, at 19.36 percent; and the manufacturing industry at 14.17 percent. This distribution mirrored the patterns observed in August 2021.

Comparatively, August 2021 saw growth across nearly all sectors, particularly notable in agriculture, forestry, and fisheries (1.57 million individuals), manufacturing industry (0.47 million individuals), and wholesale and retail trade, including motor vehicle and motorcycle repair (0.45 million individuals). However, the water supply, waste management, and recycling sectors witnessed a decrease of 0.05 million individuals during this period.

Figure 4

Distribution of Working Population



Note. Source is the Indonesian Central Statistics Agency, 2022.

Indonesia's Open Unemployment Rate (OUR) decreased to 5.83 percent in February 2022 compared to the same period last year, which stood at 6.26 percent. The decline in unemployment is attributed to the gradual improvement in the economy. In the first three months of 2022, Indonesia's economy grew by 5.01 percent, showing signs of

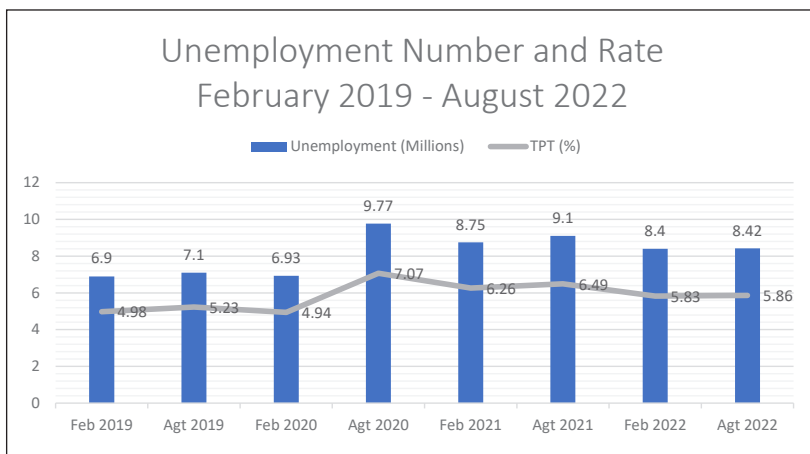
recovery after the COVID-19 pandemic. However, the unemployment rate has not yet returned to pre-pandemic levels. Considering the economic growth, the labor force absorption as of February 2022 amounted to 4.55 million individuals.

In February 2022, an addition of 4.20 million new labor force entrants was recorded. However, not all of these newcomers immediately find employment, contributing to a portion eventually joining the unemployed ranks. With a 5.01 percent economic growth in February, it managed to absorb a labor force of 4.55 million. This absorption across various sectors resulted in a decrease in the unemployment rate from 6.26 percent in February 2021 to 5.83 percent in February 2022.

In absolute terms, the number of unemployed individuals decreased by 350 thousand people, from 8.75 million in February 2021 to 8.4 million in February 2022. The OUR rate in Indonesia in 2020 was 4.94 percent, with 6.93 percent unemployment.

Figure 5

Unemployment Number and Rate, February – August 2022.



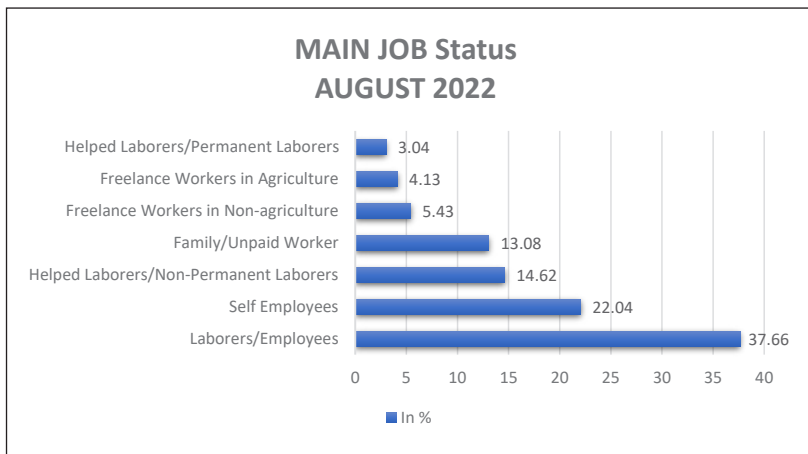
Note. Source is the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2022.

Despite a recent year of decline, the unemployment rate has yet to return to pre-crisis levels. As of February 2022, Indonesia's labor market conditions, in terms of their level, cannot be considered fully

recovered from the pre-COVID-19 era, despite improvements and advancements (Laucereno, 2022). The current unemployment figures can be observed in Figure 5. However, post-pandemic effects are yet to be fully resolved, as the pandemic still impacts 3.48 million working-age individuals. They experience reduced working hours compared to pre-pandemic levels.

Figure 6

Main Job Status – August 2022



Note. Source is the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2022.

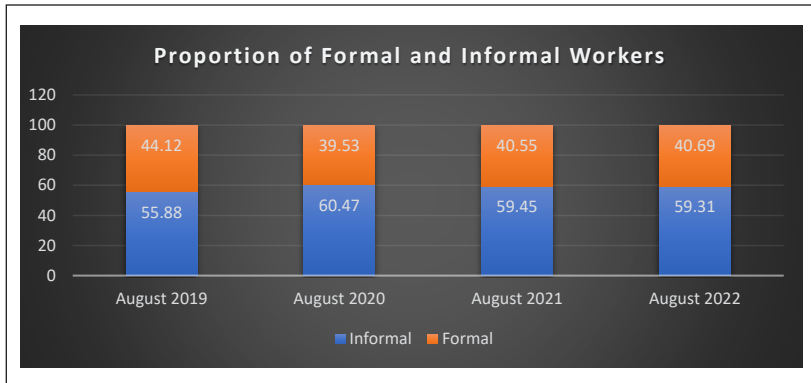
The proportion of the formal labor force has also increased. Yet, it cannot be considered to have returned to pre-pandemic conditions, but rather to be moving towards a new equilibrium that signifies a different situation and a post-pandemic state.

Essentially, unemployment is affected by pre-pandemic, during the pandemic, and post-pandemic times. This influence has ramifications across various employment sectors and impacts the prevailing unemployment rates. Throughout the pandemic, numerous sectors were affected and required adjustments. Consequently, the government initiated various programs through the National Economic Recovery Program (PEN). Positive outcomes of these programs include an improvement in unemployment rates post-pandemic, even though they have not yet reached pre-pandemic levels. Furthermore, the

economic situation and conditions before and after the pandemic also exhibit distinctive differences and individualized situations.

Figure 7

Main Job Status – August 2022



Note. Source is the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2022.

Socioeconomic Challenges and Job Market Dynamics of the Working Class in Malaysia

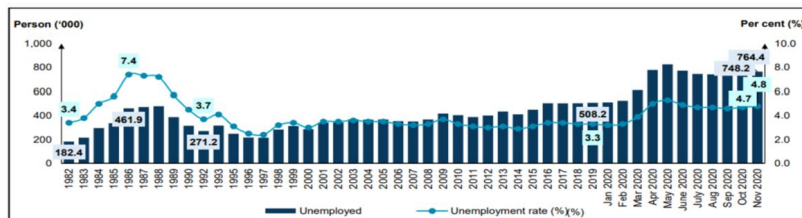
In the Malaysian context, data released by the Malaysian Ministry of Health indicated that the total count of confirmed COVID-19 cases reached 300,752 individuals. Parallel to Indonesia, the COVID-19 crisis in Malaysia has notably affected the socio-economic fabric of the workforce. An escalation of the unemployment rate was discernible, surpassing 4.5 percent in contrast to the pre-crisis level of below 4.0 percent. Statistics on Loss of Employment (LOE) provided by the Social Security Organization (SOCSO) revealed a surge in job losses, with 9,086 individuals reported in November 2020, as opposed to 7,416 individuals in October 2020. Moreover, the Employment Insurance System (EIS) via MYFuture Jobs documented a significant rise in job seekers, reaching 185,236 individuals in November 2020, as compared to 57,733 individuals in October 2020, while the total number of job openings decreased to 68,555 positions from 98,568 vacancies in October 2020 (refer to Figure 8).

Moreover, a multitude of cases had arisen concerning the termination of employment among the working class, particularly within the

hospitality and aviation sectors. The Malaysian Association of Hotels (MAH) reported that around 15 percent of the total 4,880 hotels in Malaysia had ceased operations. Available data indicates that 47,109 individuals faced layoffs, with male workers constituting the majority at 29,345 individuals and women making up 17,764 individuals (refer to Table 3). Additionally, over 2,713 small and medium enterprises (SMEs) in Malaysia shut down between March and October 2020, coinciding with the government's imposition of a movement control order (MCO) to curtail the spread of the COVID-19 pandemic (www.theedgemarkets.com, accessed Jan 2021).

Figure 8

Unemployed Persons and Unemployment Rate, 1982-2019 and Jan-Dec 2020



Note. Source is the Department of Statistic Malaysia, (2021).

Under such circumstances, employee layoffs were inevitable. Employers were advised to prioritize the termination of foreign workers ahead of local employees, adhering to the “Foreign Worker First Out” principle. When considering the retrenching of local employees, employers were urged to follow the “Last In, First Out” principle. However, the Ministry acknowledged that deviations from these principles might occur if employers could provide appropriate justifications.

An illustrative instance of this issue was observed in the situation at the Mahkota Hotel Melaka, where an estimated 100 employees were anticipated to face retrenchment. It is essential to note that the layoffs issue represented just a fraction of the challenges stemming from the COVID-19 crisis in Malaysia. As widely documented, between March and October, 2,713 small and medium enterprises (SMEs) ceased operations (www.theedgemarkets.com, accessed Jan 2021).

Table 3

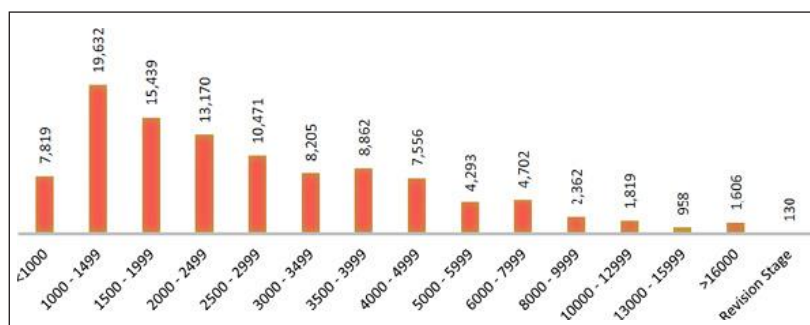
Companies and the Number of Employees Terminated

Company	No. of Termination
MAS Airlines	6,000 employees
Air Asia Bhd and AirAsia X Bhd	2,400 employees (10% of 24000)
Malindo Airlines	2, 200 employees
Hyatt Hotels	Lay off 1,300 employees globally.
Malaysian Association of Hotels (MAH)	2, 041 employees (refer to table 1&2)
Grab Holdings	360 employees (5% of their employees)
Genting Industry	3, 000 employees
Sapura Energy Bhd	800 employees (20% of 4000 full-time workers)

Note. Data obtained from www.myhos.mohr.gov.my and www.theedgemarkets.com (2021).

Figure 9

Number of Employment Loss based on Wage Range



Note. Source is from EIAS, 2020.

Based on the findings from the research conducted by the Employment Information and Analysis Services (EIAS, 2020) and as illustrated in Figure 9, the highest count of unemployment was observed within the lower echelons of wage earners, particularly among those earning between RM1000 to RM1499. This data underscores the disproportionate impact of the pandemic on the lower socioeconomic strata, revealing their heightened vulnerability. Consequently, Prime Minister Muhyiddin's economic assistance planning during the

COVID era prioritized aiding the ‘immediately unemployed’ citizens as a central focus.

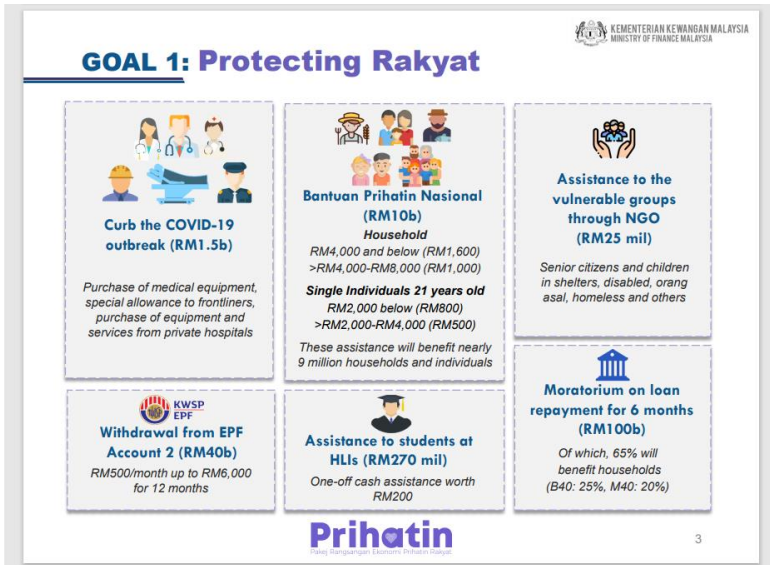
Due to the stringent lockdown measures, many sectors experienced financial setbacks, with the airline industry emerging as the most severely affected. Notably, Malaysia Airlines, the nation’s flagship carrier, implemented a restructuring program necessitating approximately 13,000 staff members to opt for voluntary unpaid leave in response to the substantial decline in revenue (Shahira et al., 2020).

Malaysia’s Stimulus Package

Under the then Prime Minister Muhyiddin’s administration, a substantial financial aid package named the *Pakej Rangsangan Ekonomi Prihatin Rakyat*, or PRIHATIN (People’s Welfare Economic Stimulus Package), amounting to RM250 billion and which was equivalent to 17 percent of Malaysia’s gross domestic product, was introduced. The Government established the following three primary objectives to address the economic challenges posed by the pandemic: protecting the people, supporting businesses, and revitalizing the economy. The foremost priority under PRIHATIN was aimed at ensuring the financial stability of citizens. As depicted in Figure 10, sourced from the Ministry of Finance (MoF), the Government directed its efforts towards providing direct cash assistance to the populace. For instance, the *Bantuan Prihatin Nasional* allocated RM10 billion in cash aid to individuals earning below RM4,000, benefiting 9 million households. Another significant measure was the implementation of a loan repayment moratorium, valued at RM100 billion. This loan repayment moratorium allowed for the temporary suspension of loan repayments, with the Government acting as a short-term guarantor for citizens throughout the pandemic.

Figure 10

Malaysia's PRIHATIN Economic Stimulus Package



Note. Source is the Ministry of Finance, Malaysia, 2020.

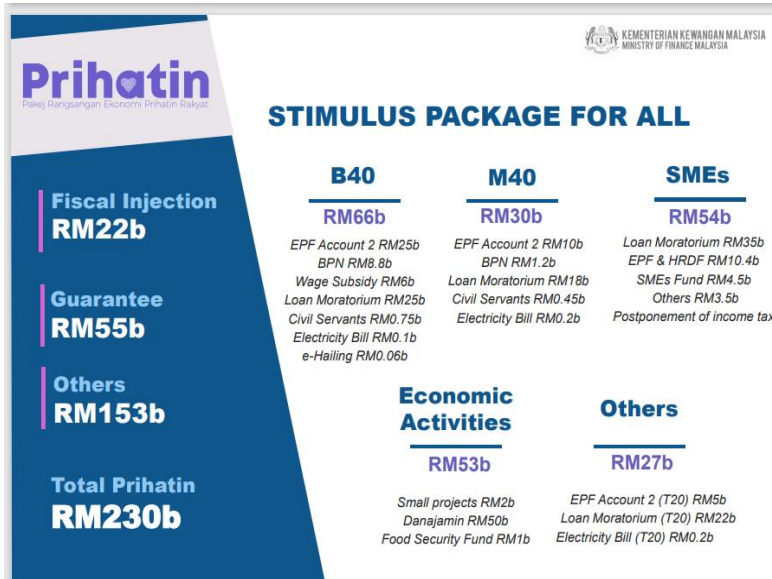
Furthermore, the second highlighted priority in the PRIHATIN framework pertained to aiding businesses, particularly those in the tourism sector and Small and Medium Enterprises (SMEs). According to the Malaysian Association of Hotels (MAH), approximately 15 percent of hotels in Malaysia either closed permanently or remained shuttered until the end of 2020 (Justin, 2020). Additionally, the global prohibition on the entry of foreign citizens caused SMEs operating in the tourism sector, including budget hotels, catering services, and rental accommodations, to face substantial risks, compelling them to reduce employee wages and enforce unpaid leaves as survival strategies.

Consequently, the Government extended various forms of assistance to these severely affected enterprises, including a six-month loan moratorium amounting to RM100 billion through programs offered by TEKUN and MARA, with supplementary funds amounting to RM4.5 billion for SMEs. This substantial financial support was aimed at mitigating the challenges faced by these SMEs, which employed millions of workers predominantly from the low and middle-income

brackets. The financial support was hoped to alleviate their plight amidst the aftermath of the abrupt nationwide lockdown.

Figure 11

PRIHATIN Economic Stimulus Package



Note. Source is the Ministry of Finance, Malaysia, 2020.

Finally, the Malaysian government has committed to revitalizing the nation's economy through PRIHATIN. An allocation of RM2 billion was earmarked to refurbish smaller-scale projects like road development and school infrastructure in Sabah and Sarawak, along with the construction of police stations that could benefit G1-G4 contractors (Berita Harian, 2020).

Prime Minister Muhyiddin further affirmed the continuation of major initiatives such as the East Coast Rail Link, Mass Rapid Transit 2, and National Fiberization and Connectivity Plan, with the government shouldering the associated costs. This strategic action holds great significance, as abandoning these projects would not only jeopardize their completion but also impact prospective investments. These economic challenges posed a significant threat to the Malaysian economy.

In summary, Malaysia grappled with the multifaceted challenges posed by the pandemic extensively, ranging from bolstering its resilient healthcare system to providing direct financial assistance to its entire population. The concerted efforts undertaken have yielded a positive impact, evident in the country's post-pandemic economic recovery. For example, the first quarter of 2022 witnessed a modest growth rate of 5 percent, displaying an improvement from the preceding quarter's rate of 3.9 percent (Nambiar, 2023).

The Working Class and the Paradigm of Frictional and Structural Unemployment

As previously expounded, the ramifications of COVID-19 have significantly affected the working class. The strain experienced by this demographic originated in historical precedents that stretched back centuries, even predating the advent of the capitalist epoch, as delineated by Marx (1848) in pre-16th century human history. In ancient societies, all capable individuals were compelled to work, as the inability to do so would lead to the risk of starvation. Additionally, within the context of slavery, the notion of being "unemployed" was inconceivable (Garraty, 1978). The impact of COVID-19 has compounded the challenges confronting the working class. As previously observed, in Indonesia and Malaysia, the pivotal markets in Southeast Asia, the working class faced hurdles in asserting their autonomy and rights, notably in attaining secure employment.

As Marx has outlined, the working class, often termed the 'Army of Labor,' exists as individuals are subjected to obligations and control within a hierarchical structure overseen by capital owners (Green, 1991). This framework is evident in developing countries like Indonesia and Malaysia, where the relationship between capital owners and the working class is predominantly transactional, centered around labor in exchange for wages. Consequently, decisions made by capital owners, encompassing dismissals, are binding upon the workforce.

Economists often distinguish between short-term "frictional" or "cyclical" unemployment and long-term "structural unemployment." However, in the current state of the COVID-19 crisis, mass layoffs occur structurally due to most companies claiming the inability to

sustain workers' salaries when the company is not generating revenue. This is akin to the situation in developed countries like the United States, where over 50,000 airline workers faced potential furloughs after Congress failed to pass a last-minute deal to extend coronavirus relief aid to the struggling industry (www.nbcnews.com, accessed Jan 2021).

Marx and Engels's theoretical framework focused on individuals facing unemployment or limited employment prospects. Yet, equally pivotal is understanding how the working-class endeavors to evade enduring layoffs. Historical examples reveal the considerable authority capital owners hold over hiring and firing workers. Therefore, it falls upon the state to protect the working class's interests through protective laws that involve all stakeholders, encompassing both the political infrastructure and superstructure.

Recognizing the productive contributions of the working class must be emphasized. Despite lacking ownership of land or factories, these individuals have built infrastructure, produced furniture, cultivated food, and raised children through their labor (Lebowitz, 2016). Both theoretical and practical pursuits should prioritize comprehending and acknowledging the substantial role played by the working class in propelling rapid development within nations. However, in today's context, the notion of "class consciousness," as highlighted by Marx (1848), has largely dissipated.

The contemporary working class lacked the influence and negotiation capabilities, and they became dependent on state support for safeguarding their interests. Efforts by the working class to counter the dominance and one-sided exploitation by the capitalist class often manifest as symbolic rituals, like the observance of May Day. However, the core of the working-class struggle seems feeble and needs a coherent ideological orientation. Hence, community values should encompass and prioritize the ethical and psychological welfare of all members, including those within the working class (Ikhsan et al., 2016). Despite enduring exploitation during employment at the hands of the capitalist class, the modern working class tends to seek refuge and survival under the guidance of other capital owners. The pursuit of freeing individuals from oppressive circumstances (Horkheimer, 1982) should be pursued without recourse to violence.

PANDEMIC RESPONSE AND ECONOMIC RECOVERY: A COMPARATIVE EVALUATION OF INDONESIA'S AND MALAYSIA'S STIMULUS PROGRAMS

As expounded upon in earlier sections, Indonesia and Malaysia have comparable obstacles, especially with regard to the predicament of the working class affected by the COVID-19 protective measures that had resulted in job losses. Several economic sectors were closed in 2020 and 2021. The working class still needs to have assurance over their job status nowadays. Based on the previously provided facts, it is evident that Indonesia and Malaysia utilize stimulative economic strategies to improve the welfare of the working class during the COVID-19 pandemic.

Responding to the economic issues brought on by the COVID-19 pandemic, the Indonesian government launched the National Economic Recovery Program (PEN) of Indonesia, a comprehensive set of economic stimulus measures. The PEN assisted the nation's recovery efforts by reducing the negative effects of the pandemic on numerous economic sectors. Since its mid-2020 inception, the program has undergone multiple changes to accommodate changing circumstances.

Key components of the PEN program include fiscal stimulus, in which the government allocated substantial funds for fiscal stimulus measures aimed at supporting businesses, protecting jobs, and boosting consumer spending. These measures include tax breaks, subsidies, and direct cash transfers to affected individuals and households. In supporting the economy, the PEN have assisted businesses affected by the pandemic, including small and medium enterprises (SMEs), and key industries such as tourism, manufacturing, and agriculture. Support measures include grants, loans, and debt restructuring programs to help businesses survive the economic downturn.

For infrastructure development, the government allocated funds for infrastructure projects as part of its stimulus efforts to stimulate economic activities, create jobs, and enhance long-term growth prospects. Investments in infrastructure such as transportation, energy, and digital infrastructure were prioritized to drive economic recovery. In terms of social protection programs, the PEN included measures to strengthen social protection programs and provide assistance to

vulnerable groups affected by the pandemic. This assistance includes expanding social assistance programs, such as food assistance and healthcare subsidies, to ensure basic needs are met for those most in need.

The government also allocated resources to strengthen the healthcare system and enhance public services to respond to the health crisis. Investments in healthcare infrastructure, medical supplies, and capacity-building initiatives were prioritized to contain the spread of the virus and mitigate its impact on public health. Overall, the National Economic Recovery Program (PEN) of Indonesia represents a multi-faceted approach in addressing the economic challenges posed by the COVID-19 pandemic. By providing targeted support to businesses, individuals, and critical sectors of the economy, the program facilitated economic recovery and ensured sustainable growth in the post-pandemic era.

In the context of Malaysia, the country's PRIHATIN stimulus package which was introduced in response to the COVID-19 pandemic, was a comprehensive economic relief program aimed at mitigating the adverse impacts of the crisis on businesses, individuals, and the economy. The key components of Malaysia's PRIHATIN stimulus package included cash aid for individuals. The PRIHATIN package provided direct cash assistance to vulnerable groups and individuals affected by the pandemic. It offered a one-off cash payment to low-income households, individuals who had lost their jobs, and those in need of financial support to cope with the economic downturn.

Another notable policy was aimed at supporting small and medium enterprises (SMEs), particularly in providing a stimulus package that provided financial assistance, grants, and loans to SMEs impacted by the pandemic. The support included subsidies for payroll and operating expenses, loan moratoriums, and grants to help SMEs retain employees and stay afloat during the crisis. Evidently, Malaysian SMEs recognize the importance of having competent talents (Ahmad et al., 2023).

In supporting the sectoral economy, the PRIHATIN package targeted support for key sectors of the economy that had been severely affected by the pandemic. This support package had included industries such as tourism, hospitality, retail, and manufacturing which had experienced

significant revenue losses due to lockdowns and restrictions on economic activity. Likewise with the tax system, tax relief and incentives, these were adopted as part of the stimulus package, which includes tax relief measures and incentives to support businesses and individuals during the crisis. Tax exemptions, reductions, and deferments were provided to ease the financial burden of taxpayers and encourage spending and investment. For employment retention programs, Malaysia's PRIHATIN package included programs and initiatives aimed at retaining jobs and supporting workers affected by the pandemic. Wage subsidies, training programs, and job placement services were given to help workers transition to new employment opportunities.

Similar to Indonesia's effort, Malaysia's government also provided healthcare and social welfare programs. The stimulus package allocated resources to strengthen the healthcare system and enhance social welfare programs in order to support vulnerable groups affected by the pandemic. Investments in healthcare infrastructure, medical supplies, and social assistance programs ensured that basic needs were met for those most in need. For digital transformation programs, the PRIHATIN package included initiatives to accelerate Malaysia's digital transformation and promote the adoption of digital technologies to support economic recovery and resilience. Investments in digital infrastructure, e-commerce platforms, and digital skills training programs enabled businesses and individuals to adapt to the new normal.

Both Indonesia's National Economic Recovery Program (PEN) and Malaysia's PRIHATIN economic stimulus were launched in response to the economic challenges posed by the COVID-19 pandemic. Both initiatives shared the goal of mitigating the adverse impacts of the crisis on businesses, individuals, and the economy. There are several key differences and similarities between the two programs that warrant critical comparison, which include scope and coverage, size of the stimulus, implementation efficiency, targeting and effectiveness, and long-term sustainability. In summary, while Indonesia's PEN program and Malaysia's PRIHATIN stimulus package shared similar objectives and approaches in addressing the economic impacts of the COVID-19 pandemic, notable differences were seen in their scope, implementation, targeting, and effectiveness. These initiatives can provide insights into best practices and areas for improvement in

designing and implementing economic stimulus measures in response to future crises.

CONCLUSION

From a Marxist perspective, the COVID-19 pandemic has underscored the inherent contradictions within capitalist systems, exacerbating socio-economic disparities and highlighting the limitations of these structures in addressing the needs of the working class during a global crisis. The pandemic and subsequent lockdown measures enforced by the Indonesian and Malaysian governments significantly affected both capital owners and the working class. However, the data indicates an uneven impact between these groups, with capital owners displaying greater resilience due to their substantial financial means. Conversely, the working class, dependent solely on wages for their livelihoods, faced ongoing monthly expenses and distressing consequences.

Many capitalist groups responded to lost income during COVID-19 by laying off workers, further exacerbating the plight of the working class. This trend was observed globally and regionally, particularly in Southeast Asia, including Indonesia and Malaysia. The crisis hastened the disintegration of societal class structures, particularly within the working class. Middle-class groups increasingly risked slipping into poverty, while the impoverished experienced exacerbated destitution.

In response, the Indonesian and Malaysian governments implemented stimulus packages targeting workers and other segments within the lower-middle spectrum of society. Notably, these nations prioritized bolstering the demand sector through economic aid, distinguishing their approach from countries that emphasize support for the supply sector.

Both the National Economic Recovery Program (PEN) of Indonesia and Malaysia's PRIHATIN have been systematically implemented. However, a significant point of divergence between the two lies in the demographic dynamics of Indonesia and Malaysia. Indonesia struggles with challenges in executing its recovery program due to intricate bureaucratic processes between the central and local administrations. Additionally, the lack of comprehensive data regarding unregistered populations and the working class further compounded the Indonesian

government's struggle in enacting effective socio-economic policies. In contrast, the Malaysian government benefitted from more streamlined population data and record-keeping infrastructure, facilitating more efficient distribution of social assistance during COVID-19.

For long-term consideration, governments must establish agreements that involve auditing functions and oversight of financial governance reports produced by private companies. Such measures will impact workers' earnings, preventing companies and capital owners from capriciously laying off employees in the name of efficiency without providing adequate evidence and reports. This standpoint may generate controversy and debate, but it is imperative to prioritize preventive and protective measures for the working class, as they play a pivotal role in human development and national progress. Furthermore, it is essential to intensify the discourse surrounding working-class issues during COVID-19 to foster the development of analytical frameworks and alternative models. This study calls for a critical re-evaluation of capitalist dynamics and their impact on the working class, advocating for transformative approaches to understanding and addressing these systemic issues in Southeast Asia.

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