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What Drives the Effectiveness of Job Loss Security in Indonesia?

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ABSTRACT

This study examines the determinants of the effectiveness of Indonesia's Job Loss Security (Jaminan Kehilangan Pekerjaan/JKP) program within the framework of a developing-economy context. The examination employs Structural Equation Modeling–Partial Least Squares (SEM-PLS). It is based on survey data involving 179 formal workers impacted by employment termination throughout Java, representing approximately 78% of national JKP beneficiaries in 2024. The model evaluates the impact of program benefits (cash transfers, job training, and labor market information), governance and administrative elements (investment fund management, employer compliance, and ease of claims), and labor market conditions, incorporating skill mismatch as a mediating variable. The results indicate that cash benefits, job training, and employment opportunities are the primary factors influencing perceptions of program effectiveness. In contrast, labor market information and governance-related factors do not demonstrate statistically significant effects, indicating a disparity between formal policy design and experiences of beneficiaries. Skill mismatch exhibits a positive and significant correlation with perceived effectiveness, indicating a perception-driven mechanism whereby workers experiencing greater mismatch prioritize immediate income assistance and training over tangible enhancements in job alignment. The mediating effect of skill mismatch is not substantiated. The results indicate that in segmented labor markets with restricted absorption capacity, the efficiency of job loss security is primarily influenced by concrete benefits and employment prospects. The study enriches the literature on unemployment insurance and active labor market policies by emphasizing the importance of prioritizing immediate benefits, relevant training, and job creation to ensure policy design aligns with beneficiary expectations.

Keywords: job loss security; unemployment insurance; developing countries; program effectiveness; active labor market policies (ALMP).

INTRODUCTION

The Job Loss Security (*Jaminan Kehilangan Pekerjaan*/JKP) was officially launched by the Indonesian government in 2022 as part of the national social protection system. The program is designed to provide short-term assistance to formal workers who lose their jobs. It offers cash payments, access to labor market data, and job training, and it is one sort of unemployment insurance in Indonesia. The implementation of JKP faces several challenges, despite its commendable goals. These include issues with the efficacy of training and job placement services, levels of employer compliance, the simplicity of claim procedures, disparities by region, limited employment opportunities, and other administrative constraints.

In line with ILO Recommendation No. 202 on basic social protection, JKP is theoretically grounded in the welfare state tradition (Andersen, 1990) and Sen's (1999) capacity approach. Southeast Asian research suggests that employment guarantees work best when paired with ALMPs, especially when it comes to targeted training and individual assistance (Lee, 2020).

Research on job loss security or unemployment insurance in industrialized nations predominantly highlights macroeconomic and labor market factors (Boone et al., 2021; Chodorow-Reich et al., 2019). Nonetheless, studies that directly evaluate the practical effectiveness of JKP implementation remain limited, especially from the viewpoint of developing countries. Data from various developing economies indicates that employment protection and labor market interventions often suffer from weak targeting, limited sustainability, and insufficient alignment with labor market demand, which in turn constrains their effectiveness (Mogomotsi & Madigele, 2017; Jumpah et al., 2022). This research aims to address that deficiency.

LITERATURE REVIEW

A range of empirical studies shows that the effectiveness of unemployment insurance is affected by benefit sufficiency, the quality of training, labor market conditions, and program administration (Boone et al., 2021; Schmieder et al., 2016). In the Indonesian context, the effectiveness of the JKP program is reflected in participants' success in reemployment and their capacity to sustain economic resilience following job loss. The JKP program integrates income protection with labor market services; nevertheless, the actual impact of this integration has not yet been extensively measured using quantitative approaches.

In assessing JKP effectiveness in Indonesia, several determinant variables must be considered, including the benefits directly received by participants, the management of investment funds as an indicator of program sustainability, the level of employer compliance with participation obligations, and the accessibility of the claims process as a component of JKP service quality. Furthermore, labor market conditions, encompassing the availability of employment opportunities for the productive-age population and the extent of skill mismatch, also play an important role in determining the program's ability to achieve its objectives of worker protection and reintegration.

The literature identifies cash benefits as the primary factor affecting post-layoff welfare. Cash transfers sustain consumption and mitigate poverty (Kuka, 2019), serve as automatic stabilizers (Keynes, 1936), and shape perceptions of program efficacy. Nonetheless, disproportionately notable benefits may diminish work incentives (Schmieder & Trenkle, 2020).

The next key benefit is access to labor market information. Relevant information accelerates job placement (Carranza et al., 2022; Cairo & Mahlstedt, 2022). Nonetheless, its efficacy is significantly contingent upon integration with active services, including counseling and career coaching (Boockmann & Brändle, 2019; Jakšić & Lugarić, 2022).

In addition to sufficient information, skill development via job training tailored to industry requirements is a crucial element in accelerating re-employment (Das, 2021; Alfonsi et al., 2020). Effective training enhances abilities aligned with labor market demand (Sokolov, 2023), facilitates access to quality employment, especially for individuals with lower educational qualifications, as demonstrated in Indonesia (Ariusni et al., 2024), and supports long-term labor mobility (Ubushaeva et al., 2021).

To ensure the sustainability of these benefits, investment fund management and employer compliance are crucial. Accountable and transparent investment governance protects social security assets from misappropriation and ensures the long-term viability of benefit provision, especially in public pension/reserve funds (Souto & Musalem, 2012). Employer compliance in registering workers and paying contributions is likewise a prerequisite for the successful implementation and expansion of social security schemes, since weak surveillance and enforcement can lead to persistent underpayment and low compliance (Qian, 2024). Evidence indicates that improvements enhancing the collection of social insurance contributions can bolster compliance and fortify the contribution base, hence supporting scheme sustainability (Yang, 2025).

However, the program's functionality for participants is significantly influenced by the simplicity of the claims process. Claim accessibility is associated with streamlined processes, expedited service, and the implementation of digital technology (Mahendrasusila, 2021). Administrative barriers can reduce overall efficacy.

In addition to program mechanisms, labor market conditions significantly influence effectiveness. Social protection is more effective when the labor market can absorb workers (Font et al., 2017), but skill mismatch, underemployment, and skill underutilization reduce reemployment prospects, earnings, and mobility (Neffke et al., 2022). In developing countries, these issues reflect weak school-to-work transitions and limited creation of quality jobs for skilled labor (Mncayi & Meyer, 2022). Although job information and training may mitigate mismatch (Carranza et al., 2022), structural constraints within the labor market eventually undermine the reintegration efficacy of unemployment protection schemes.

Persistent unemployment not only affects individual income security but also generates broader social and economic externalities at the community level. According to research conducted in developing nations, contexts

show that graduate unemployment can exacerbate household vulnerability, reduce social cohesion, and weaken incentives for human capital investment, thereby reinforcing long-term labor market inefficiencies (Fenta, 2024).

RESEARCH METHOD

This study employs a quantitative approach using Structural Equation Modeling–Partial Least Squares (SEM–PLS), with data processing conducted using SmartPLS version 3.0. The effectiveness of JKP in Indonesia is evaluated using this approach inside the PLS evaluation framework, which is based on the perceptions of respondents. Focusing on labor reintegration and benefit accessibility, the model aims to investigate the impact of macro-structural and behavioral factors on JKP implementation outcomes.

A total of 179 respondents participated in the study, consisting of Job Loss Security (JKP) beneficiaries who received benefits between 2022 and 2024. The respondents were selected from all provinces on the island of Java: Banten (9.55%), West Java (32.40%), Jakarta (13.97%), Central Java (17.32%), the Special Region of Yogyakarta (3.91%), and East Java (22.91%). In 2024, Java comprises 78% of the total national beneficiaries, hence reinforcing the sample's representativeness. Data were collected using a structured five-point Likert-scale questionnaire (1–5).

The sample size is sufficient for SEM-PLS estimation. Based on the 10-times rule (Hair et al., 2017), a minimum of 80 observations is required, which is substantially surpassed by the 179 respondents. SEM-PLS is suitable for complex models with small to medium samples and does not require multivariate normality. This sample size also provides sufficient statistical power to detect medium effect sizes at the 10% significance level, aligning with exploratory and policy-oriented research in developing-country contexts.

The structural model constructed in this study includes the following components:

$$Y = \beta_1 Z + \beta_2 X_1 + \beta_3 X_2 + \beta_4 X_3 + \beta_5 X_4 + \beta_6 X_5 + \beta_7 X_6 + \beta_8 X_7 + \varepsilon_2 \quad \text{(i)}$$

$$Z = \gamma_1 X_1 + \gamma_2 X_2 + \varepsilon_1 \quad \text{(ii)}$$

Description:

- X1 = Benefits of Access to Labor Market Information in the JKP program
- X2 = Benefits of Job Training in the JKP program
- X3 = Benefits of Cash Transfers in the JKP program
- X4 = Investment Fund Management of the JKP program
- X5 = Level of Employer Compliance
- X6 = Employment Opportunities for the productive-age population
- X7 = Ease of Claiming Benefits in the JKP program
- Z = Skill Mismatch
- Y = Effectiveness of the JKP program
- γ = Path coefficient from X to Z (intervening)
- β = Path coefficient from X and Z to Y (endogenous)
- ε = Error term

The conceptual model in this study is constructed based on a range of literature discussing unemployment insurance or job loss security. Several variables were subsequently selected and used as construct (independent) variables to measure JKP effectiveness implementation. Hypotheses were formulated for all variables X and Y, incorporating Variable Z as a mediating variable, as presented in the figure below.

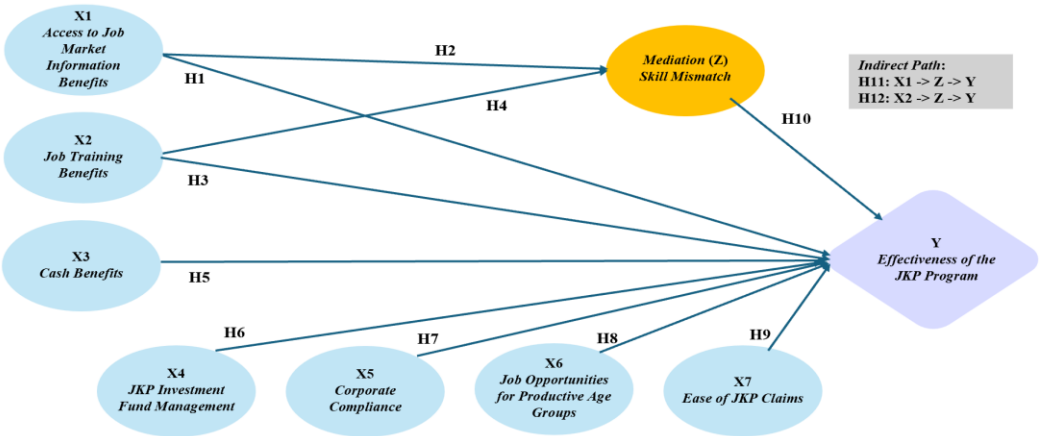

Figure 1. JKP program effectiveness model
Source: processed by the author based on various literature

All latent constructs in this study are designated as reflective constructs, as the observed indicators are assumed to reflect underlying perceptions of program attributes and outcomes. This specification aligns with the concept of perceived program benefits, governance quality, labor market conditions, skill mismatch, and overall program effectiveness.

The hypotheses are tested using a one-tailed significance approach, grounded in the ALMP framework and Human Capital Theory, both of which emphasize a positive and directional relationship between program interventions and labor market outcomes. Accordingly, initiatives such as vocational training, financial assistance, and labor market data are anticipated to improve employability and overall program efficacy. Table 1 summarizes the hypotheses and their expected directions, presenting both the null (H_0) and alternative (H_1) hypotheses.

Table 1. Hypothesis Model

Hypothesis	Hypothesis Null (H_0)	Hypothesis Alternative (H_1)
H1	The benefits of access to labor market information (X1) do not have a positive effect on JKP effectiveness (Y).	The benefits of access to labor market information (X1) have a positive effect on JKP effectiveness (Y).
H2	The benefits of access to labor market information (X1) do not have a negative effect on skill mismatch (Z).	The benefits of access to labor market information (X1) have a negative effect on skill mismatch (Z).
H3	The benefits of job training (X2) do not have a positive effect on JKP effectiveness (Y).	The benefits of job training (X2) have a positive effect on JKP effectiveness (Y).
H4	The benefits of job training (X2) do not have a negative effect on skill mismatch (Z).	The benefits of job training (X2) have a negative effect on skill mismatch (Z).
H5	Cash benefits (X3) do not have a positive effect on JKP effectiveness (Y).	Cash benefits (X3) have a positive effect on JKP effectiveness (Y).
H6	JKP investment fund management (X4) does not have a positive effect on JKP effectiveness (Y).	JKP investment fund management (X4) has a positive effect on JKP effectiveness (Y).
H7	Company compliance (X5) does not have a positive effect on JKP effectiveness (Y).	Company compliance (X5) has a positive effect on JKP effectiveness (Y).
H8	Employment opportunities for productive age groups (X6) do not have a positive effect on JKP effectiveness (Y).	Employment opportunities for productive age groups (X6) have a positive effect on JKP effectiveness (Y).
H9	Ease of JKP claims (X7) does not have a positive effect on JKP effectiveness (Y).	Ease of JKP claims (X7) has a positive effect on JKP effectiveness (Y).
H10	Skill mismatch (Z) does not have a negative effect on JKP effectiveness (Y).	Skill mismatch (Z) has a negative effect on JKP effectiveness (Y).
H11	The benefits of access to labor market information (X1) do not have a positive effect on JKP effectiveness (Y) through the mediation of skill mismatch (Z).	The benefits of access to labor market information (X1) have a positive effect on JKP effectiveness (Y) through the mediation of skill mismatch (Z).
H12	The benefits of job training (X2) do not have a positive effect on JKP effectiveness (Y) through the mediation of skill mismatch (Z).	The benefits of job training (X2) have a positive effect on JKP effectiveness (Y) through the mediation of skill mismatch (Z).

Source: processed by the author

RESULTS AND DISCUSSION

Results of Validity, Reliability, and Goodness-of-Fit Tests

The results of the validity, reliability, and goodness-of-fit tests obtained from this model are as follows:

Table 2. Results of the Validity, Reliability, and Goodness-of-Fit tests

Type of Tests	Result Tests
Convergent Validity	Factor loadings for all indicators were >0.7
Composite Reliability & Cronbach's Alpha	CR ranged from 0.921 to 0.975; Cronbach's Alpha ranged from 0.933 to 0.972, all >0.70
Goodness of Fit	SRMR = 0.060 (<0.08); NFI = 0.711 (marginal fit); RMS Theta = 0.167 ≈ 0 → model fit; Q^2 = 0.8168 (81.68%) indicating high predictive relevance

Source: processed by the author

As presented in Table 2, the measurement model demonstrates strong construct validity and reliability based on several statistical criteria. All factor loadings surpass the minimum threshold of 0.70, thereby confirming convergent validity and indicating that each indicator accurately represents its corresponding latent construct. The reliability assessment further reinforces this conclusion, with Composite Reliability (CR) values between 0.921 to 0.975 and Cronbach's Alpha values between 0.933 to 0.972, significantly exceeding the recommended minimum threshold of 0.70. These findings provide credence to the idea that the constructs are internally consistent.

Regarding the overall adequacy of the model, several indices support its suitability. The Standardized Root Mean Square Residual (SRMR) value of 0.060 falls below the 0.08 threshold, indicating a good model fit. Although the Normed Fit Index (NFI) value of 0.711 indicates a marginal fit, other indicators provide stronger evidence of model adequacy. The RMS Theta value of 0.167, which is close to zero, reflects a sufficiently specified model. In addition, the structural model shows a high level of predictive accuracy with a Q^2 value of 0.8168 (81.68%) according to the predictive relevance test.

Results of the Coefficient of Determination Test

Using the data analyzed in this study, the following R-square and adjusted R-square values were obtained:

Table 3. Results of the Coefficient of Determination

Variables	*R Square*	*Adjusted R Square*
Effectiveness of the JKP program	0.761	0.753
Skill Mismatch in the Job Market	0.214	0.205

Source: processed by the author

Based on the results of the coefficient of determination test presented in Table 3, the R-square value for JKP effectiveness is 0.761, with an Adjusted R-square of 0.753. This indicates that a total of 75.3% of the variation in program effectiveness can be explained by the advantages of having access to labor market information, job training, cash benefits, JKP investment fund management, employer compliance, employment opportunities for the productive-age population, ease of claiming JKP benefits, and skill mismatch. The remaining 24.7% is affected by factors that are not accounted for in the model. This level of determination is categorized as strong, as it exceeds the 0.67 threshold.

Due to the large number of independent variables in the model, the Adjusted R-square is a crucial statistic to employ. Adjusted R-square gives a more precise and cautious estimate by removing this bias, in contrast to R-square, which can grow just by adding variables, even insignificant ones. The model's actual predictive power can thus be better gauged with this method.

In addition, the Skill Mismatch variable has an R-squared value of 0.214 and an Adjusted R-squared value of 0.205. This indicates that external factors impact the remaining 79.5% of the variation in skill mismatch, while the benefits of labor market information access and job training only account for 20.5%. The coefficient of determination is below the critical value of 0.33, classifying it as weak. Using Adjusted R-square, as in the previous construct, keeps the focus on the independent variables' contributions to changes in skill mismatch and prevents the number of variables from distorting the interpretation of the model's predictive power.

The following figure presents the evaluation of the SEM-PLS inner model:

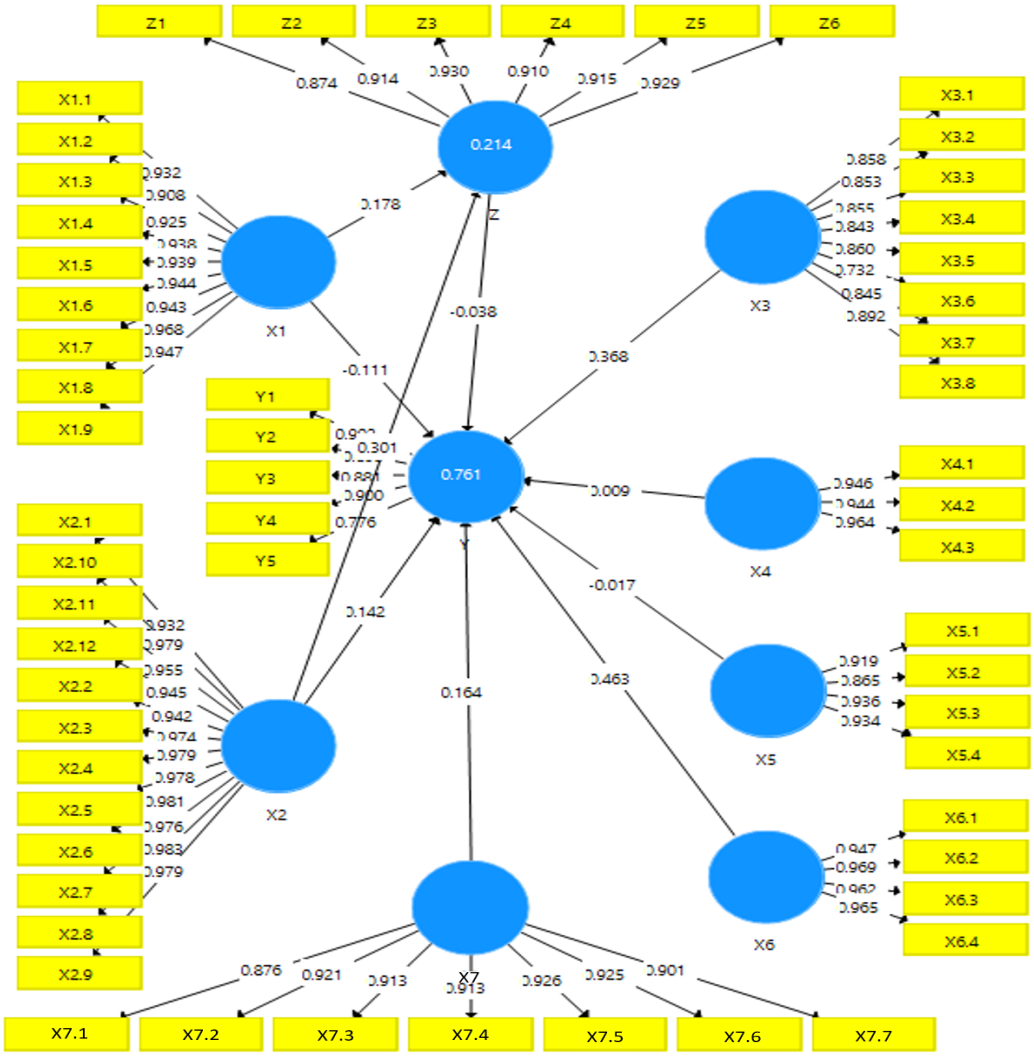

Figure 2. JKP program effectiveness model
Source: processed by the author

Hypothesis Testing Results

The hypothesis testing produced the following results:

Table 4. Hypothesis Testing Results

Hypothesis	Theory	Beta	Stdev	T Stat	P Values (1 Tail)	Decision
H1: X1->Y	+	-0.106	0.101	1.046	0.148	Rejected
H2: X1->Z	-	0.178	0.162	1.099	0.136	Rejected
H3: X2->Y	+	0.150	0.100	1.501	0.067	Accepted
H4: X2->Z	-	0.301	0.163	1.852	0.032	Rejected
H5: X3->Y	+	0.385	0.079	4.859	0.000	Accepted
H6: X4->Y	+	-0.034	0.123	0.274	0.392	Rejected
H7: X5->Y	+	0.029	0.103	0.283	0.388	Rejected
H8: X6->Y	+	0.445	0.064	6.931	0.000	Accepted
H9: X7->Y	+	-0.021	0.042	0.498	0.309	Rejected
H10: Z->Y	-	0.156	0.078	2.010	0.022	Rejected
H11: X1->Z->Y	+	-0.004	0.010	0.383	0.351	Rejected
H12: X2->Z->Y	+	-0.006	0.016	0.404	0.343	Rejected

Source: processed by the author

The hypothesis testing results presented in Table 4 indicate heterogeneous effects across the seven determinants of JKP effectiveness. The model identifies three significant predictors: cash benefits (X3), employment opportunities for the productive-age population (X6), and job training (X2, marginally significant).

Meanwhile, four other variables show no significant effect, such as labor market information (X1), investment fund management (X4), employer compliance (X5), and ease of claims (X7). The skill mismatch variable (Z) shows a significant effect, but in the opposite direction of what was hypothesized.

The following section discusses the results of each hypothesis and their connection to established theories and prior empirical studies:

- H1: The benefits of access to labor market information have a positive effect on JKP effectiveness. The estimation results show a path coefficient of –0.106 with a p-value of 0.148 > 0.10 (10% significance level), thus the hypothesis is rejected. This means that an increase in the perceived benefits of access to labor market information does not significantly affect JKP effectiveness. According to the research, active interventions like counseling or coaching are necessary for labor market information to be effective (Salvini & Bolits, 2021; Boockmann & Brändle, 2019). This result is consistent with previous research that found that data alone is not enough to boost reemployment rates.
- H2: The benefits of access to labor market information have a negative effect on skill mismatch. The path coefficient is 0.178 with a p-value of 0.136 > 0.10 (10% significance level), thus the hypothesis is rejected. This means that the benefits of access to labor market information do not amount to a substantial decrease in skill mismatch. According to Human Capital Theory (Becker, 1964), mismatch is more strongly influenced by the quality of skills rather than mere access to information, explaining why this variable is not significant.
- H3: The benefits of job training in the JKP program have a positive effect on program effectiveness. The estimation results show a path coefficient of 0.150 with a p-value of 0.067, indicating statistical significance at the 10% level. Thus, H3 is supported at the 90% confidence level, suggesting that job training has a positive but marginally significant effect on JKP effectiveness. This finding is consistent with evidence from ALMP studies (Das, 2021; Alfonsi et al., 2020), which show that training improves mobility within the formal sector and facilitates re-entry into the labor market (Doeringer & Piore, 1971).
- H4: The benefits of job training in the JKP program have a negative effect on skill mismatch. The test results show that the path coefficient from Job Training to Skill Mismatch is 0.301 with a p-value of 0.032 < 0.05 (5% significance level), indicating that the relationship is statistically significant at the 95% confidence level. However, the hypothesis is rejected because the direction of the coefficient does not align with the theoretical expectation of a negative relationship. This finding reflects participant heterogeneity. Irandoust (2023) shows that training has different effects on different demographics; in fact, some groups may experience a worsening of mismatch if the training is not tailored to their specific needs.
- H5: The cash benefits provided by the JKP program have a positive effect on program effectiveness. The estimation results show a path coefficient of 0.385 with a p-value of 0.000 < 0.01 (1% significance level), meaning the hypothesis is accepted at the 99% confidence level. This indicates that cash benefits have a significant positive influence on JKP effectiveness. Cash transfers help to sustain consumption and prevent poverty (Kuka, 2019). Conceptually, this stabilizing role is consistent with Keynes' (1936) concept of automatic stabilizers, in which income support helps sustain effective demand during periods of labor market disruption. In the context of JKP, this mechanism is reflected less in macroeconomic outcomes but in workers' lived experiences of income continuity and short-term economic security following job loss.
- H6: The management of JKP investment funds has a positive effect on JKP effectiveness. The test results show a path coefficient of –0.034 with a p-value of 0.392 > 0.10 (10% significance level), thus the hypothesis is rejected. This suggests that investment fund management does not have a significant impact on JKP effectiveness. This implies that respondents focus more on direct benefits, such as cash transfers or training, rather than on aspects of investment fund management, which operate at a macro level and are not directly experienced by beneficiaries. Although Institutional Governance Theory (North, 1990; Scott, 2004) highlights the importance of sound fund governance, this aspect remains distant and largely invisible to program participants.
- H7: The level of employer compliance has a positive effect on JKP effectiveness. The test results show a path coefficient of 0.029 with a p-value of 0.388 > 0.10 (10% significance level), thus the hypothesis is rejected. This indicates that employer compliance does not have a significant effect on program effectiveness. The lack of a significant effect can be explained by limited participant awareness of employer obligations and weak enforcement and socialization of regulations. For workers, employer compliance is not experienced as a direct or visible program feature, but rather as a background condition that only becomes noticeable when problems arise. Consequently, despite its crucial role in ensuring institutional

sustainability, employer compliance remains weakly connected to beneficiaries' perceptions of JKP effectiveness.

- H8: Employment opportunities for the productive-age population have a positive effect on JKP effectiveness. The estimation results show a path coefficient of 0.445 with a p-value of 0.000 < 0.01 (1% significance level), meaning the hypothesis is accepted at the 99% confidence level. This indicates that the availability of employment opportunities is a key factor in ensuring the effectiveness of JKP. In other words, JKP becomes more effective when supported by a dynamic labor market capable of absorbing workers. Keynesian Labor Market theory and various labor market studies emphasize that the effectiveness of social protection depends heavily on the labor market's capacity to absorb labor. The empirical findings are highly consistent with the theoretical expectations.
- H9: The ease of claiming JKP benefits has a positive effect on program effectiveness. The test results show a path coefficient of –0.021 with a p-value of 0.309 > 0.10 (10% significance level), thus the hypothesis is rejected. This discovery points to the existence of behavioral obstacles and inconsistent, occasionally easily accessible claim procedures. Although the literature (Mahendrasusila, 2021) highlights the importance of a streamlined and accessible claims process, the results suggest that behavioral obstacles and uneven implementation prevent respondents from fully experiencing the intended benefits of the claim system.
- H10: Skill mismatch has a negative effect on JKP effectiveness. The test results show a path coefficient of 0.156 with a p-value of 0.022 < 0.05 (5% significance level), indicating that the relationship between skill mismatch and JKP program effectiveness is statistically significant at the 95% confidence level. However, the hypothesis is rejected because the direction of the coefficient is inconsistent with theoretical expectations. Although skill mismatch is theoretically expected to reduce program effectiveness, this study discovered a positive and substantial association, indicating a perception paradox. Participants with a higher mismatch value promptly support, such as cash benefits and training, more strongly, resulting in higher perceived effectiveness of the JKP program. Thus, skill mismatch functions as a contextual factor shaping perceptions rather than an objective labor market outcome, consistent with Irandoust (2023), who notes that mismatch effects are not always linear.
- H11: Skill mismatch mediates the effect of the benefits of access to labor market information on JKP effectiveness. The test results show that the indirect effect coefficient is relatively small and statistically insignificant; thus, the mediation hypothesis is rejected. This indicates that the mediating role of skill mismatch does not strengthen the relationship between access to labor market information and JKP effectiveness.
- H12: Skill mismatch mediates the effect of the benefits of job training on JKP effectiveness. The indirect effect coefficient is relatively small and statistically insignificant; thus, the mediation hypothesis is rejected. This result indicates that skill mismatch does not mediate the relationship between the Benefits of Job Training and JKP effectiveness. In other words, although job training is theoretically expected to lessen skill mismatch and eventually improve program performance, this mediating mechanism does not appear significantly in the empirical findings of this model. Human Capital Theory and ALMP literature suggest that training and information channels should help reduce mismatch and subsequently improve effectiveness. However, the empirical results show that this mediation pathway does not materialize, indicating possible issues related to training quality, limited relevance, or inconsistent implementation design.

The insignificant effects of labor market information, investment fund management, employer compliance, and claims accessibility reveal a disparity between policy design and participant experience in the JKP program. Although these dimensions are institutionally important for sustainability and regulatory integrity, they are largely experienced by workers as distant and abstract. From the beneficiaries' perspective, investment governance, employer compliance, and administrative procedures are rarely visible in everyday interactions with the program, limiting their contribution to perceived effectiveness.

From the participants' perspective, perceived effectiveness is driven primarily by tangible and directly experienced benefits, such as cash transfers, job training, and employment opportunities. This pattern reflects common features of developing labor markets, where administrative complexity and limited-service visibility constrain the translation of formal policy design into functional effectiveness at the individual level.

CONCLUSION

This study provides empirical evidence on the determinants of perceived effectiveness of Indonesia's Job Loss Security Program from the perspective of displaced workers in a developing labor market context. Although the

suggested model accounts for a large portion of the variance in effectiveness perceptions, the results show that employees assess the safety of their jobs more in terms of tangible, immediately useful benefits than in terms of more theoretical, institutional aspects.

Furthermore, cash benefits emerge as the most influential determinant, highlighting the central social function of income continuity in mitigating economic anxiety following job loss. For affected workers, timely cash transfers represent not only financial assistance but also psychological reassurance and household stability during periods of labor market uncertainty. Employment opportunities further shape effectiveness, confirming that job loss security is meaningful only when labor markets are capable of absorbing displaced workers. Job training plays a supportive but conditional role, suggesting that its effectiveness depends heavily on relevance, quality, and alignment with actual labor demand.

In contrast, labor market information, investment fund management, employer compliance, and ease of claims do not significantly influence perceived effectiveness. These findings indicate a gap between the policy's intended implementation and the reality faced by employees. In spite of the critical importance of these dimensions from an institutional perspective, they are seldom considered when employees engage with the JKP system daily. So, unless there is a direct correlation between the enhancement of administrative and governance arrangements and the improvement of service delivery at the participant level, improvements in these areas will not necessarily lead to an increase in the perceived effectiveness of the program.

The study also identifies a perception paradox related to skill mismatch. Workers facing higher mismatch report higher perceived program effectiveness, not because mismatch is resolved, but because income support and training are valued more strongly under conditions of labor market disadvantage. This finding highlights the importance of distinguishing between subjective program evaluations and objective labor market outcomes when assessing social protection effectiveness.

From a policy perspective, these findings suggest that strengthening JKP requires more than refining institutional architecture. Enhancing training relevance, improving the visibility and usability of labor market services, and expanding employment opportunities are essential to bridge the gap between formal program design and workers' lived experiences. Social protection systems in developing economies should therefore be assessed not only by their regulatory completeness, but by how effectively they deliver tangible security and reintegration support to workers navigating job loss.

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