

HOW CAN TAX-FUNDED SCHEMES HELP EXTEND SOCIAL SECURITY COVERAGE?

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Ippei Tsuruga, Technical Officer
Country Office for the Indonesia and Timor-Leste
International Labour Organization

THE ROLE OF TAX-FUNDED SCHEME IS TO...

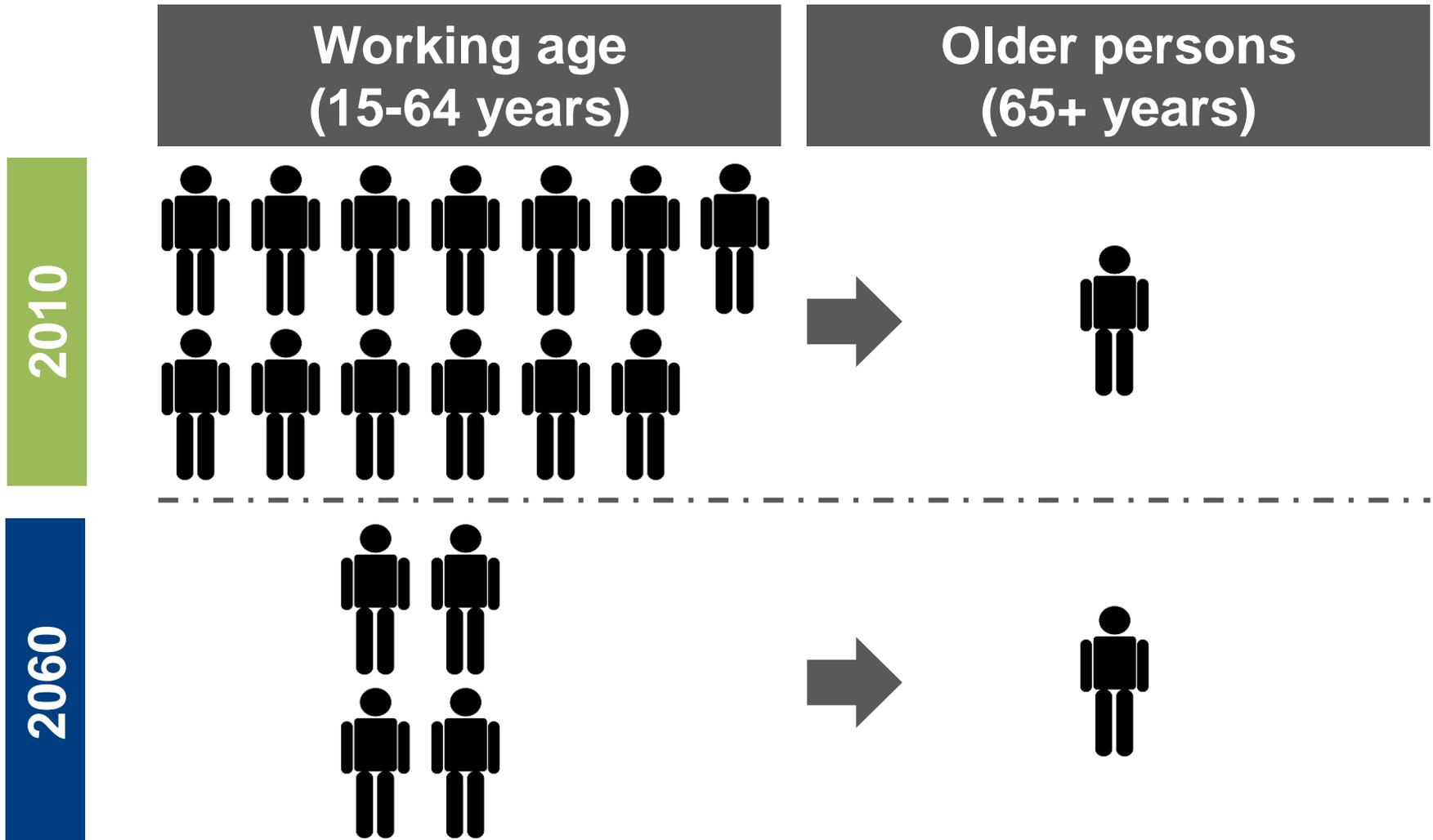
- Guarantee minimum benefits for all through a life cycle. Universal coverage will not happen only through contributory schemes
 - ✓ Long period until everyone is covered (scheme is matured)
 - ✓ High prevalence of informal employment
- Create culture of social insurance contributions and experience receiving benefits

DIAGNOSIS: SOCIAL INSURANCE SYSTEM IN INDONESIA

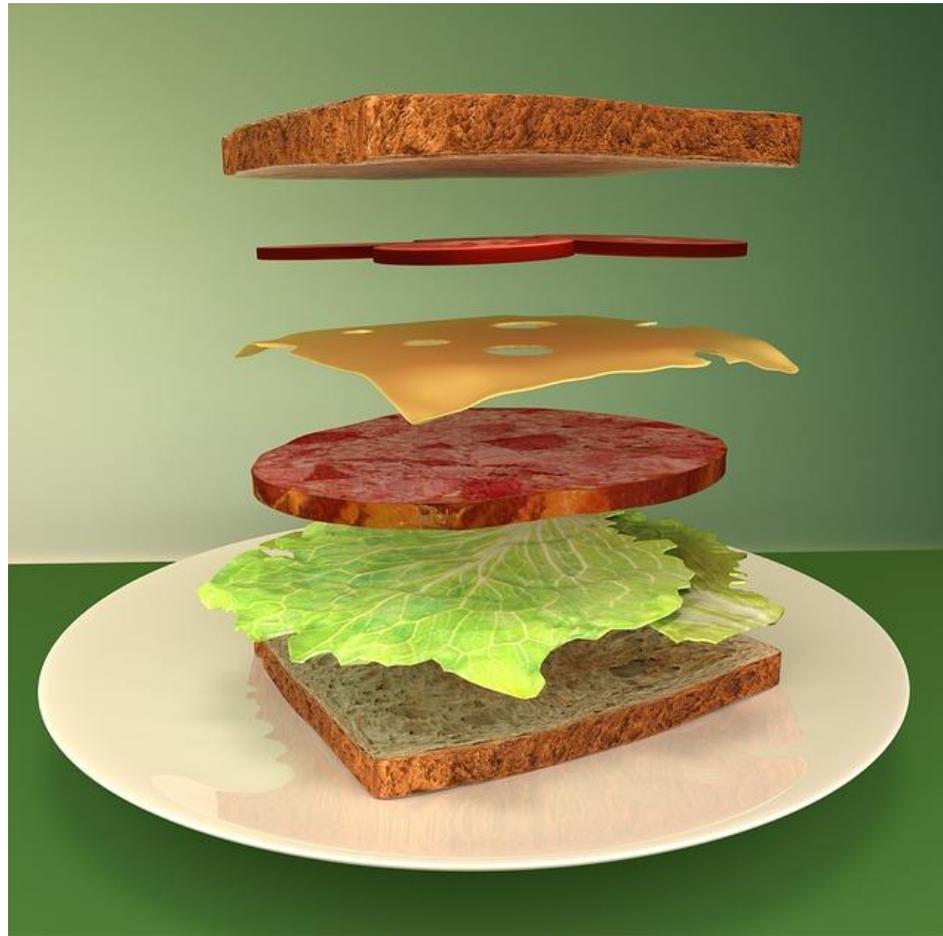
IMAGINE THE END OF DEMOGRAPHIC BONUS



INDONESIA WILL BE RAPIDLY AGEING



MILLENNIAL'S CHILDREN WILL BECOME A SANDWICH GENERATION



LEGAL COVERAGE

Scheme		Wage worker			Non-wage worker
		Large/Medium 20 +	Small 5 - 19	Micro 1 - 4	
Death Benefits	JKm	Mandatory			
Employment injury	JKK				
Old-age saving	JHT	Mandatory	Mandatory	Voluntary	
Pension insurance	JP		Voluntary	Not eligible	

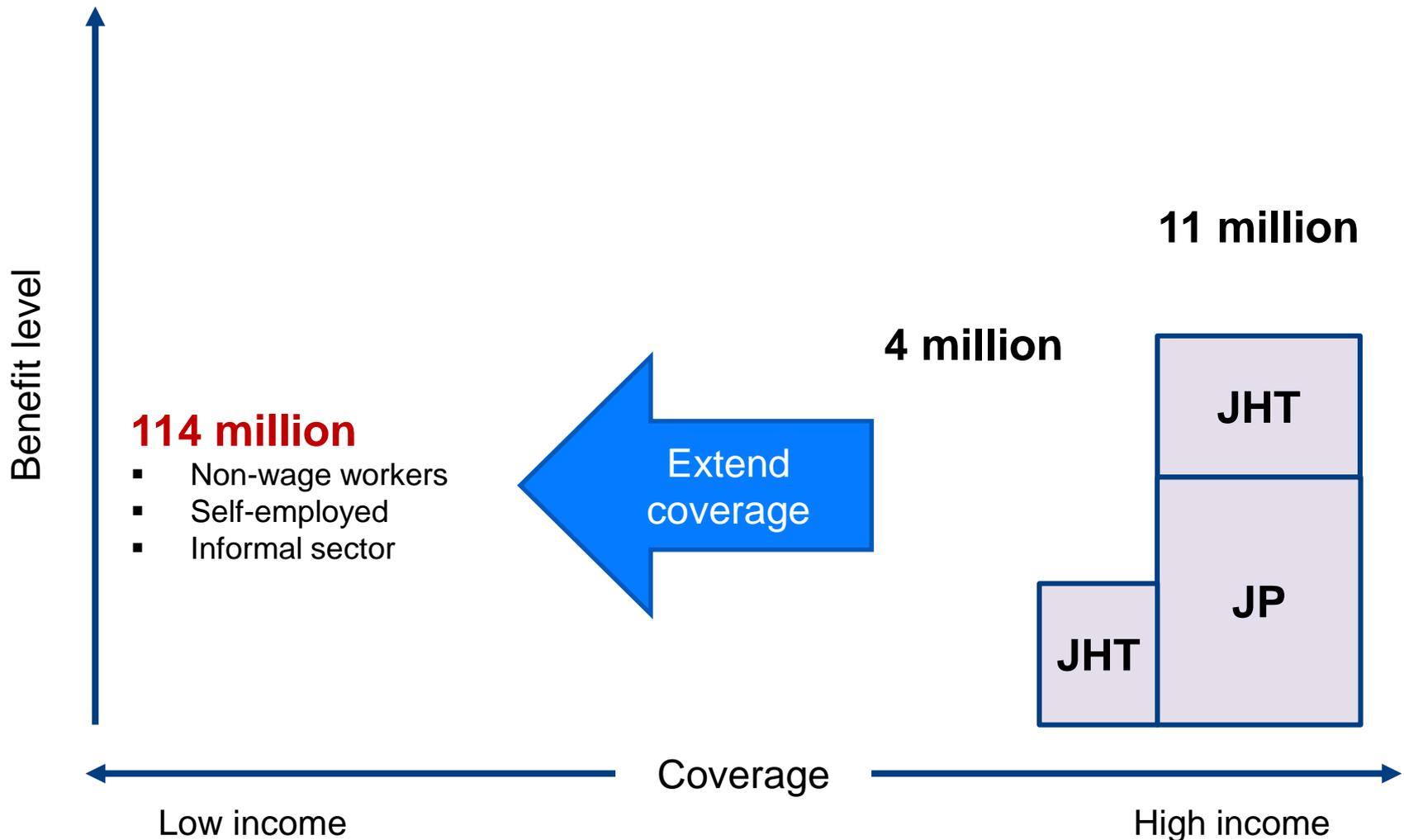
LEGAL COVERAGE

Scheme		Wage worker			Non-wage worker
		Large/Medium 20 +	Small 5 - 19	Micro 1 - 4	
Death Benefits	JKm	Mandatory			
Employment injury	JKK				
Old-age saving	JHT	Mandatory	<u>48 million</u> <u>(36%)</u> Mandatory	Voluntary	<u>53 million</u> <u>(40%)</u>
Pension insurance	JP		Voluntary	Not eligible	

EFFECTIVE COVERAGE (PENSION)

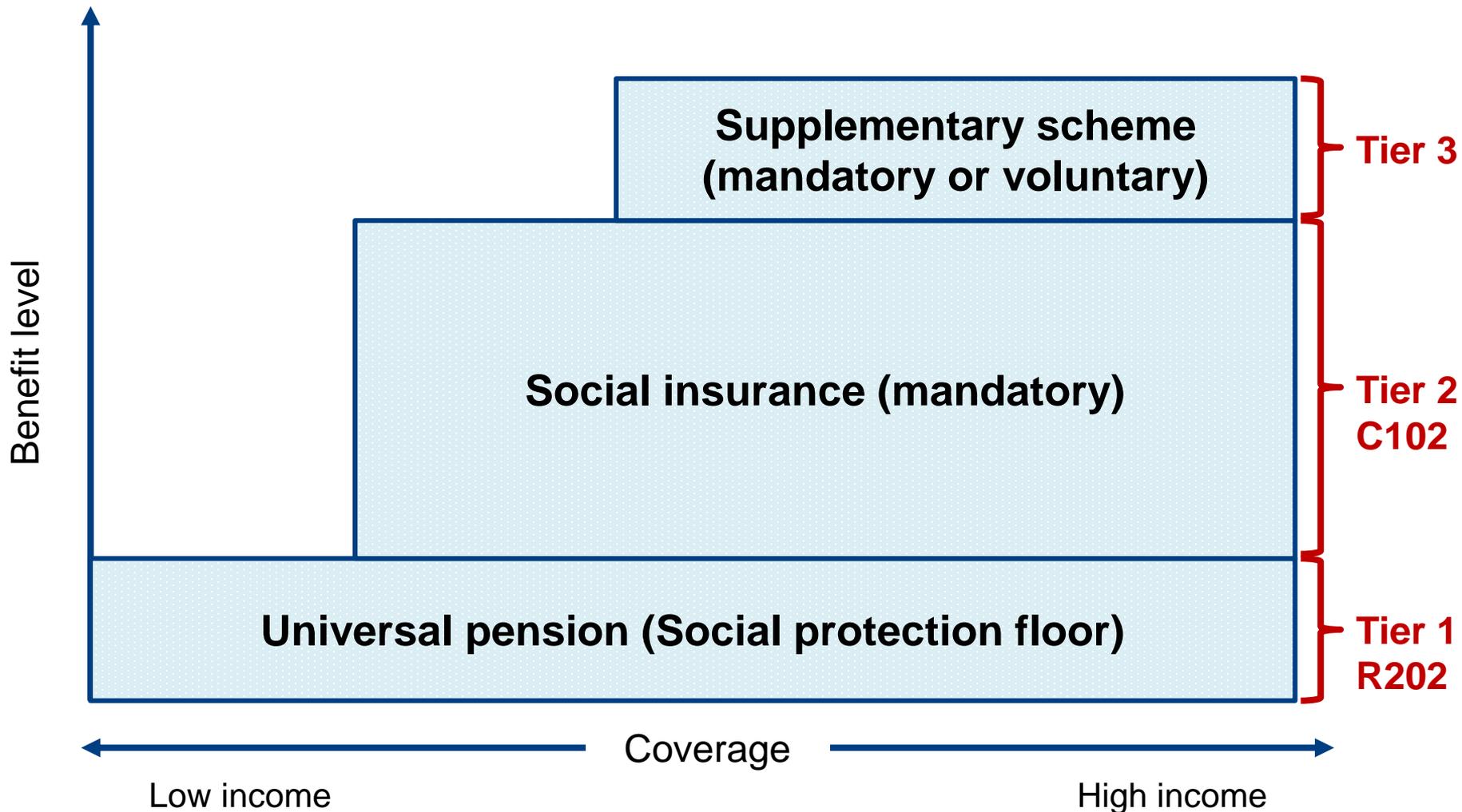
Benefit	Number of workers	Effective Coverage
JP	10.6 million	16%
JHT	14.6 million	
Taspen	4.2 million	
Asabri	1.2 million	
No coverage	114 million	84%
Labour force	127.1 million*	100%

OLD-AGE PENSION SCHEME IN INDONESIA

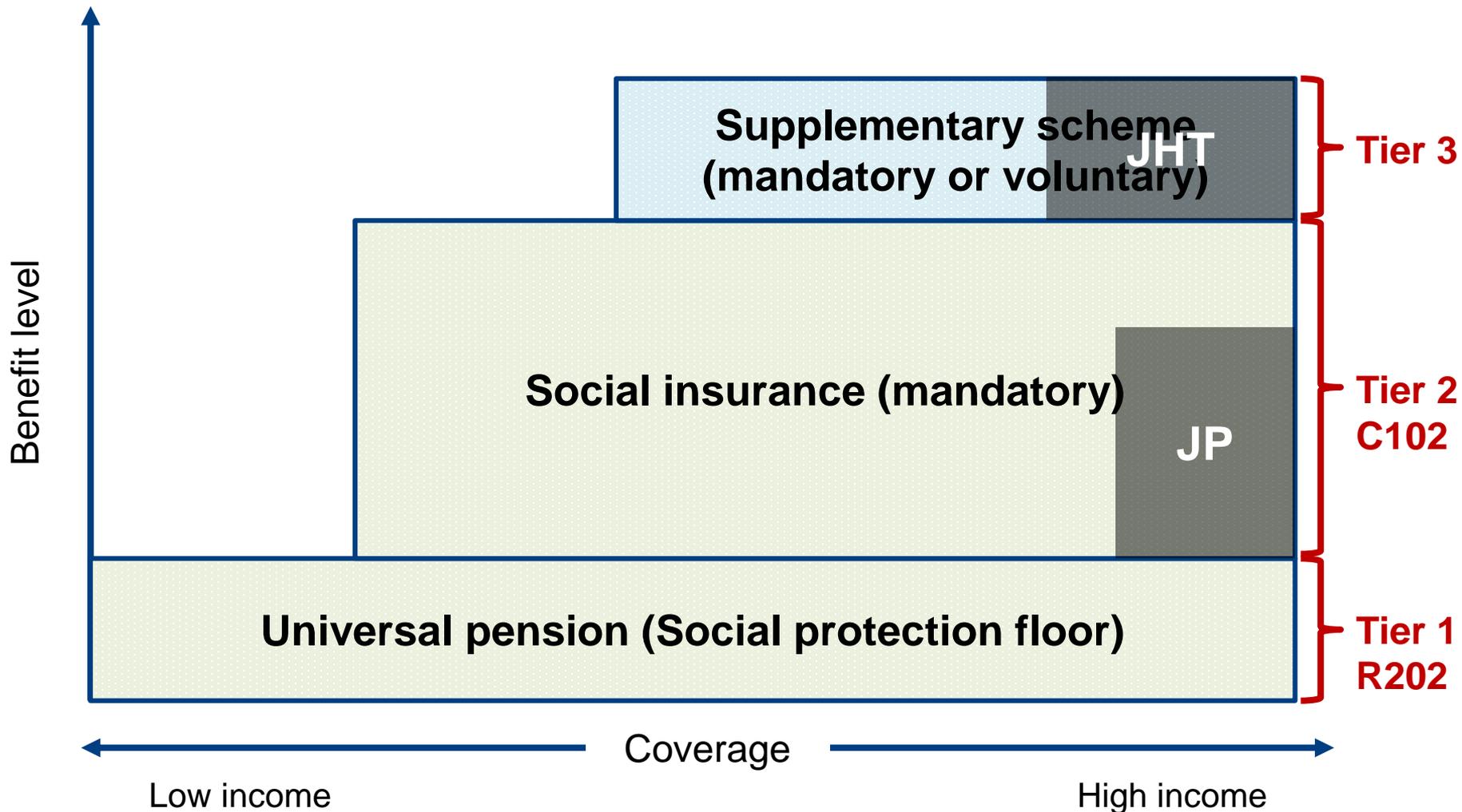


INTERNATIONAL EXPERIENCES IN THE INTEGRATED DESIGN OF TAX-FUNDED AND CONTRIBUTORY BENEFITS

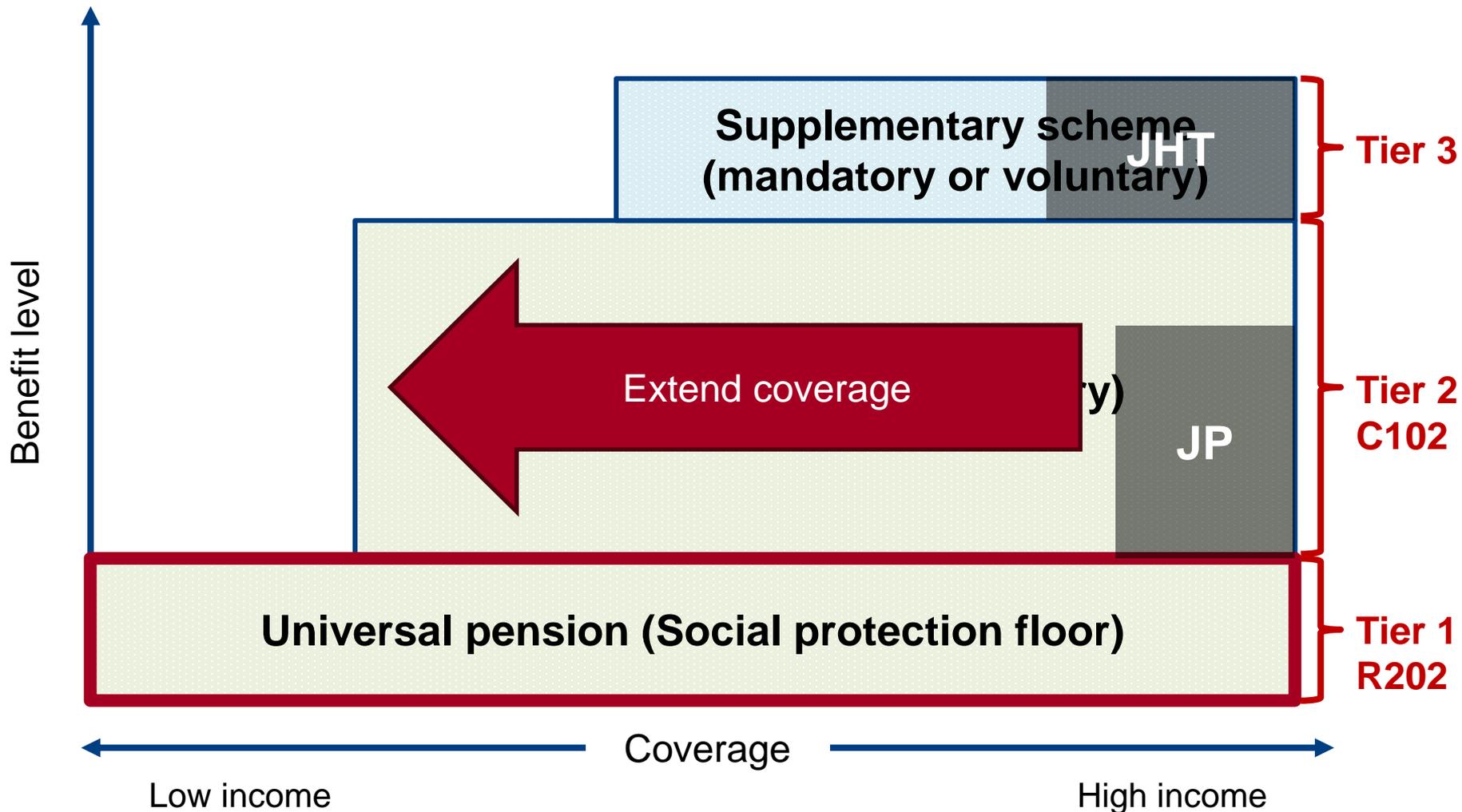
MULTI-TIER MODEL FOR OLD-AGE PENSION



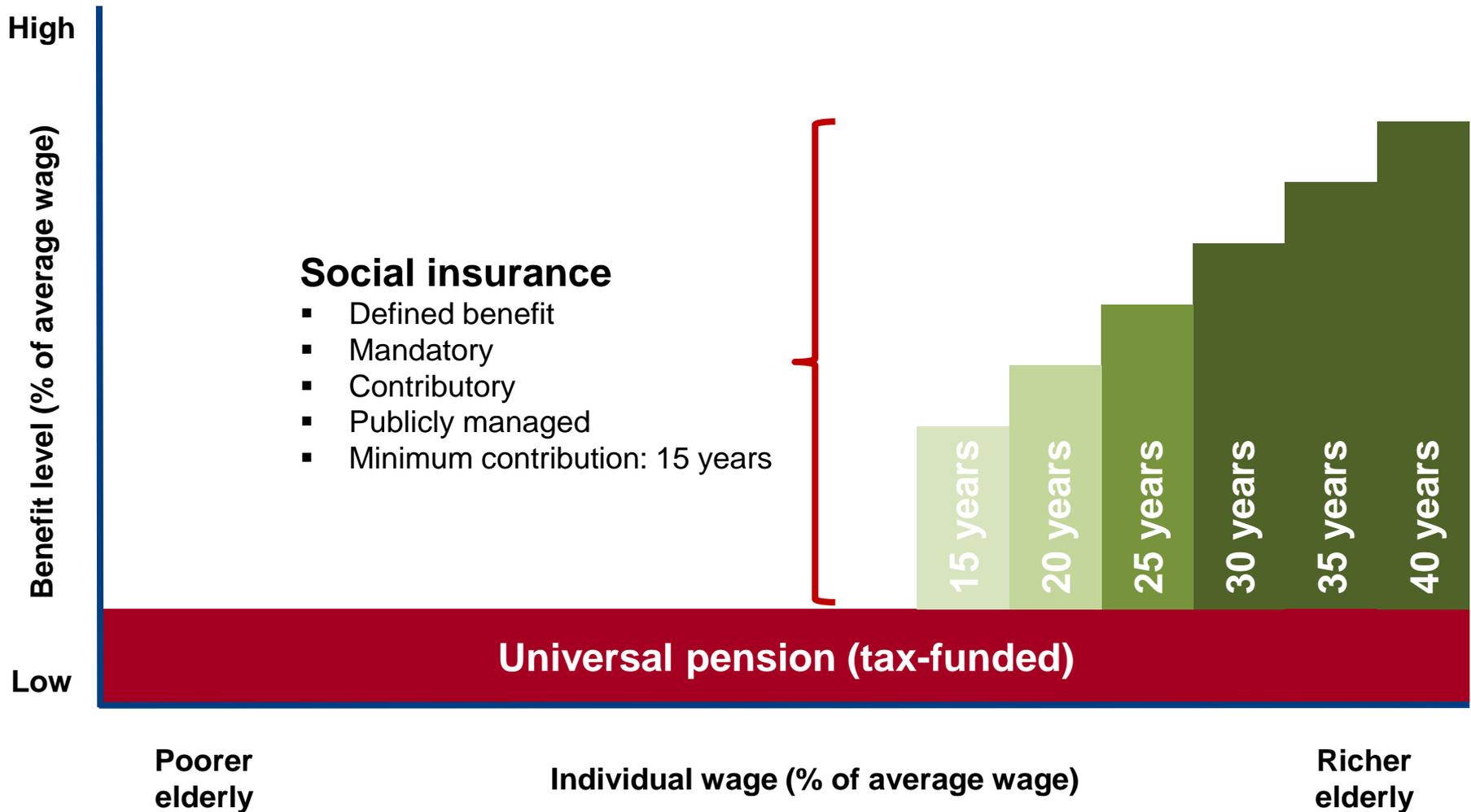
MULTI-TIER MODEL FOR OLD-AGE PENSION



MULTI-TIER MODEL FOR OLD-AGE PENSION



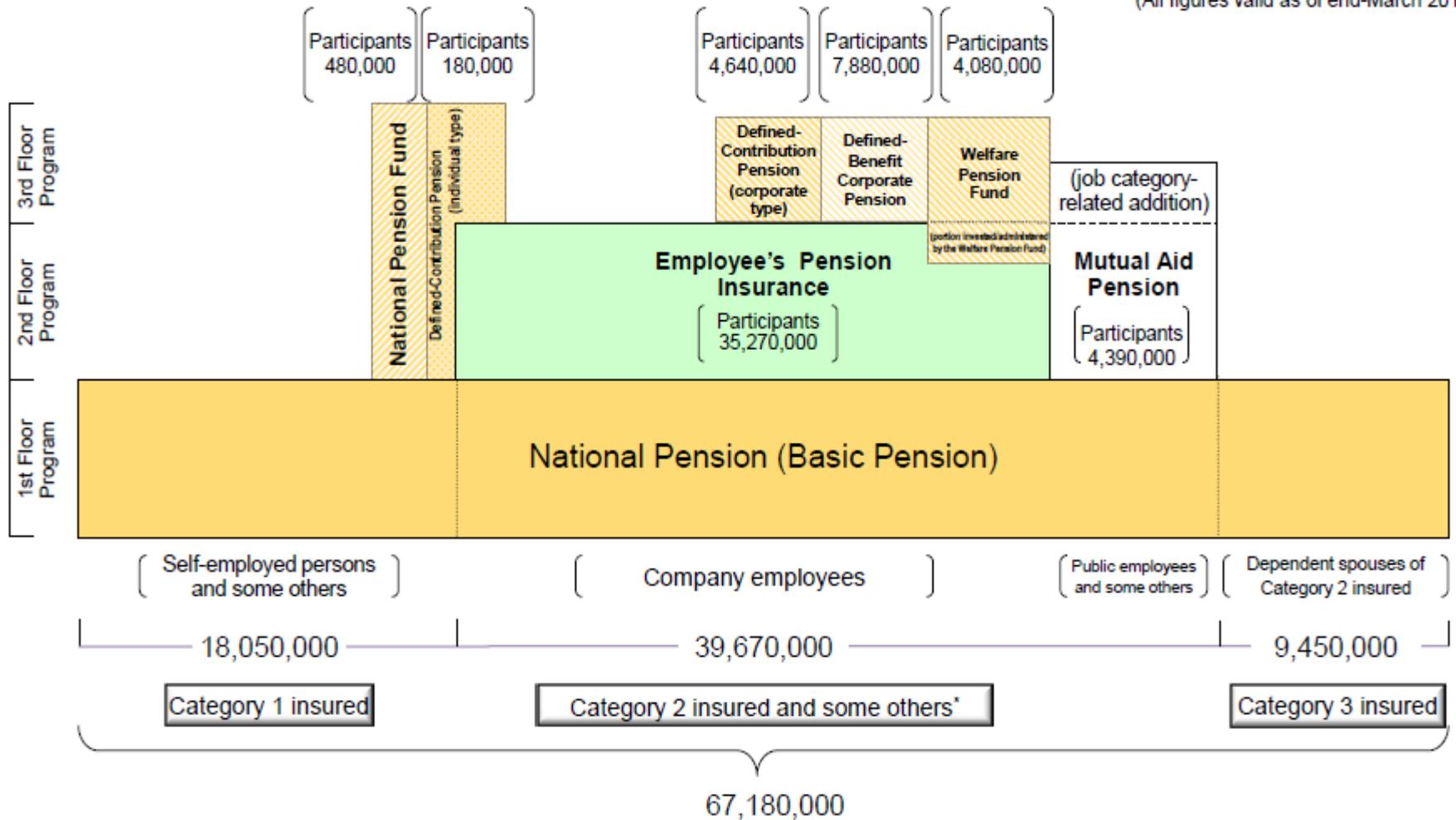
UNIVERSAL PENSION TIER





AN INTEGRATED MULTI-PILLAR SYSTEM

(All figures valid as of end-March 2014)

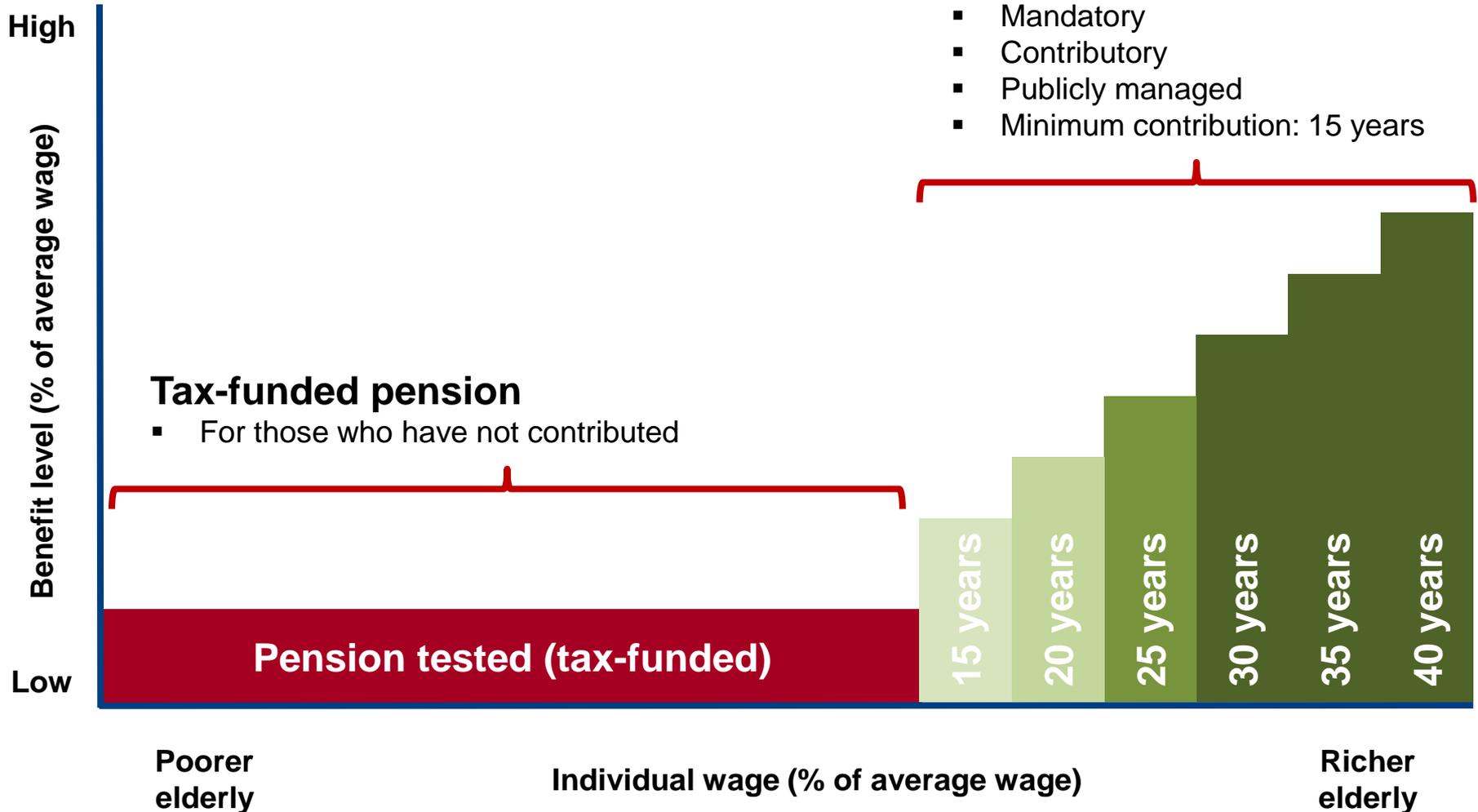


* "Cat 2 insured and some others" mean those covered by Employee Pension Insurance (including Cat 2 insured and those aged 65 and over or those entitled to pension benefits by reason of retirement).

PENSION TESTED TIER

Social insurance + Minimum pension

- Defined benefit
- Mandatory
- Contributory
- Publicly managed
- Minimum contribution: 15 years



COST OF UNIVERSAL PENSION

Coverage	All people aged 60 or 65 and over
Benefit level	The initial amount is the 2014 poverty line adjusted each year according to the inflation rate or salary
Cost in 2014	0.5 - 0.7% of GDP
Cost in 2055	0.4 - 1.8% of GDP

HOW CAN TAX-FUNDED SCHEME HELP EXTEND SOCIAL INSURANCE COVERAGE?

- Integrate tax-funded tier (universal pension) into social insurance
- Reduce old-age poverty; guarantee minimum pension for all older persons
- Reduce intergenerational inequality; economic burdens for working age populations
- Let people experience receiving pensions and understand meaning of contributions to Tier 2

Thank you

Ippei Tsuruga – tsuruga@ilo.org