

# ▶ ILO's contributions and recommendations – Indonesia

Ippei Tsuruga, International Labour Organization

## ▶ **Results of assistance**

The ILO-Fast Retailing project

## ► Technical reports delivered to stakeholders (1)

### International practices

International practices of income protection for unemployed persons and implications for Indonesia

Comparative analysis on unemployment benefit responses to crisis

Countering unemployment in the United Kingdom

Reforms of the employment insurance system of the Republic of Korea to cope with the COVID-19 crisis

## ► Technical reports delivered to stakeholders (2)

### Financial assessment

Legal, financial and administrative considerations for an employment insurance system in Indonesia

Exploring policy options to design an employment insurance scheme in Indonesia

Actuarial analysis of a proposed unemployment insurance scheme in Indonesia

### Institutional and operational assessment

Administrative procedures of social security and employment services in Indonesia

Feasibility study on administrations and operations for implementing employment insurance in Indonesia

## ► Technical reports delivered to stakeholders (3)

### Legal assessment

Rules and practices of severance pay in Indonesia – Labour Law Number 13 of 2003

Legal assessment of the Indonesia's social security system in view of a possible ratification of C102

### Assessment of employer's liability scheme

Survey on severance pay compliance

### Recommendation to Wage Subsidy Assistance (BSU)

Policy design of wage subsidy pilot scheme in Indonesia

# ▶ On the eve of the Job Creation Law



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Berbagi ngalaman Internasional tentang Tunjang  
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## Tripartite dialogue in March 2020 v.s. Job creation law – Coverage

### There was a consensus.

- All workers should be covered and benefitted as long as they contribute.

### Excluding:

- Workers who voluntarily resign from work, passed away and reached a pensionable age.
- Civil servant, Military/Police

### Job creation law (Part 7)

- Workers who contributed (Article 46C).

## Tripartite dialogue in March 2020 v.s. Job creation law – Benefit level

### Several options were proposed.

- A constant rate at 50% of wage for 3-6 months
- A tapering benefit 100% of wage for 1-3 months, 75% for 4-6 months and 50% for 7-12 months

### Job creation law (Part 7)

- Up to 6 months (Article 46D).
- (Later, the government regulation: A tapering benefit 45% for 1-3 months and 25% for 4-6 months)

## ▶ Tripartite dialogue in March 2020 v.s. Job creation law – Financing

### A consensus and its condition were proposed.

- Workers and employers agreed to contribute to the scheme.
- Workers agreed on paying contribution as long as employers and the government also finance the scheme.
- Workers did not agree on the change in provisions on severance pay.
- The contribution rate should be proposed by the actuarial assessment.

### Job creation law (Part 7)

- Contribution is paid by the Central Government (Article 46C).
- Sources of the Government contribution include tax-fund, recomposed contributions, and BPJS Employment operational funds.
- Severance pay formula were amended (Article 156).

## A fact check

- **The Parliament** adopted different provisions from the tripartite dialogue in March 2020.
- **The Parliament** decided a financing arrangement.
- **The Government** had to design the unemployment insurance policies within the financing arrangement decided by the Parliament. (**A financing arrangement is usually determined at the end.**)
- Within the given budget, **the unemployment insurance policies had to limit the payment with several clauses.**

# ▶ Key parameters to be improved

## Coverage

Wage workers who meet all the following criteria are covered by JKP (Article 4)

- Indonesian citizens
- **Less than 54 years old at the time of registration**
- Being employed
- JHT participants (mandatory: large, medium and small enterprise; **voluntary: micro enterprise**)
- JKN participants

**(Construction workers registered collectively by projects are excluded)**



## Qualifying conditions

- **12 months in last 24 months including 6 consecutive months (Article 19 (3))**
- Involuntary termination of indefinite term employment or fixed-term employment (Article 19 (1))
- Willingness to work (Article 19 (2))
- Being capable (Not permanent total disability, Article 20 (1))
- Not receiving pension ((Article 20 (1))
- Not dead (Article 20 (1))

**\*End of fixed-term employment is not granted unemployment benefits**

## ▶ Treatment of voluntary unemployment

- No benefit for voluntary unemployment (Article 20 (1))

**\*Not regulated for voluntary unemployment with just cause (i.e. forced resignation)**

## ▶ Financing modality

- Government : Employer : Worker = 0.22% : 0.24% : 0.00% = 0.46% (Article 11)

\* To be adjusted through a regular assessment every 2 years (Article 12)

## ▶ Penalty for subsequent claims

- **Claim can be made only 3 times in career** (Article 35)
- 2<sup>nd</sup> claim can be made only 5 years after the receipt of the first benefit.
- 3<sup>rd</sup> claim can be made only 5 years after the receipt of the first benefit.

# ▶ ILO's recommendations

## ILO's recommendations submitted in the actuarial analysis report in 2021

Coverage	Mandatory coverage for all employees in private sector enterprises (including <b><u>construction workers</u></b> as soon as possible)
Required contribution	A total of 12 months in the preceding 24-month period leading up to the date of claim ( <b><u>No consecutive employment is required</u></b> )
Eligible reason	Involuntary loss of job or <b><u>forced termination</u></b> (including the <b><u>end of fixed term contract</u></b> despite employee's willingness to continue working)
Benefit rate	<b><u>A constant 50%</u></b> of average monthly earnings <b><u>over the 6 months prior to claim</u></b> (ceiling of <b><u>IDR 8,939,700</u></b> per month)
Waiting period	7 days
Contribution rate	<b><u>1.35%</u></b> of monthly wage



# ► **Way forward**

## ▶ Follow-up actions that are required

**The establishment of JKP was a significant achievement of the Indonesia's tripartite stakeholders.**

**How can we improve the JKP policy?**

- The JKP policy is reviewed every 2 year. 2022 or 2023?
- What is the process of tripartite dialogues?
- The ILO can develop a summary of analysis and issues to be improved in 2022.

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**Thank you!**

**Dear Friends,**

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