

# Towards a comprehensive social protection system in Indonesia

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# ► Goal and road map 2022 – 2024

## ► Ratification of social security conventions

### Conventions may be of Indonesia's interest

- Social Security (Minimum Standards) Convention, 1952 (No. 102)
- Maternity Protection Convention, 2000 (No. 183)

### Possible milestones

- Ratification at the 111<sup>th</sup> International Labour Conference – June 2023
- Establish/Reform social security schemes in conformity with the standards by December 2023
- Presidential election, preparation for the RPJMN 2025-2028 – February 2024
- Report the country's efforts at 112<sup>th</sup> International Labour Conference – June 2024

## ► Availability of social security schemes – Indonesia

Social security branch	Minimum standards	Social security	Employers' liability
Medical care	C102 Part II	JKN	
Sickness benefit	C102 Part III	None	Labour law
Unemployment benefit	C102 Part IV	JKP	Labour law
Old-age benefit	C102 Part V	JP, JHT	
Employment injury benefit	C102 Part VI	JKK	
Child (Family) benefit	C102 Part VII	PKH	
Maternity benefit	C102 Part VIII	None	Labour law
Invalidity benefit	C102 Part IX	JP, JHT	
Survivors' benefit	C102 Part X	JP, JHT, JKm	

## ► Availability of social security schemes – South-Eastern Asia

	Number of covered areas	Child & Family	Maternity	Sickness	Unemployment	Employment injury	Disability / Invalidity	Survivors	Old age
Brunei	5	None	○	▲	None	○	○	○	○
Cambodia	3	None	○	○	▲	○	●	●	●
Indonesia	6	○	▲	▲	○	○	○	○	○
Lao PDR	7	None	○	○	○	○	○	○	○
Malaysia	5	None	▲	▲	○	○	○	○	○
Myanmar	4	○	○	○	●	○	●	●	●
Philippines	7	None	○	○	○	○	○	○	○
Singapore	7	○	○	○	None	○	○	○	○
Thailand	8	○	○	○	○	○	○	○	○
Timor-Leste	4	None	○	None	None	▲	○	○	○
Viet Nam	8	○	○	○	○	○	○	○	○

○ At least one programme anchored in national legislation, including employer-liability programmes based on mandatory risk pooling.

● Legislation not yet entered into force. ▲ Limited provision (e.g. labour code only) △ Only benefit in kind (e.g. medical benefit).

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# ► Maternity benefit

## ► Effectiveness of current scheme

### Maternity leave

- Half enjoyed paid maternity leaves for 3 months in full.
- Contract workers (PKWT) less likely enjoyed the full entitlement than permanent workers (PKWTT).
- Workers in micro/small enterprises less likely enjoyed the full entitlement than workers in larger enterprises.

### Maternity allowance

- A quarter of the workers enjoyed the full allowance.



## Financing (1)

Convention 102 (Article 71)	Convention 183 (Article 6)	Law Number 13 of 2003
Social insurance or taxation or both	Compulsory social insurance or public funds - An employer shall not be individually liable for the direct cost of any such monetary benefit to a woman employed by him or her*	Employer's liability

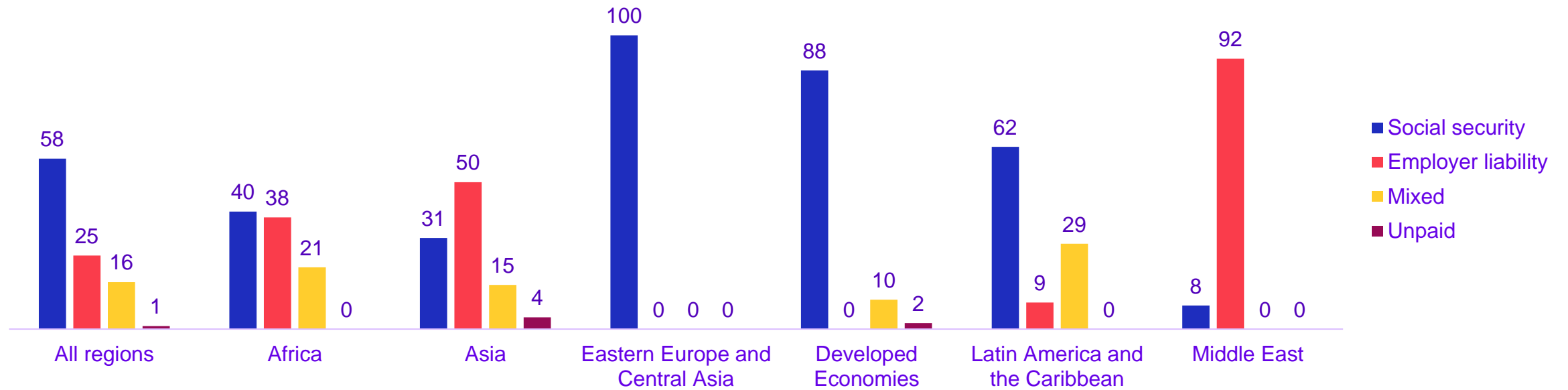
### Limitations of employer's liability

- The cost of maternity leave might affect the employment prospects of female workers.
- The compliance with maternity benefits might be low and cannot be enforced.

\*Exception: ...where It is subsequently agreed at the national level by the government and the representative organizations of employers and workers.

## Financing (2)

Source of funding of maternity leave cash benefits, by region, 2013 (185 countries and territories) (%)



## Duration of maternity leave (1)

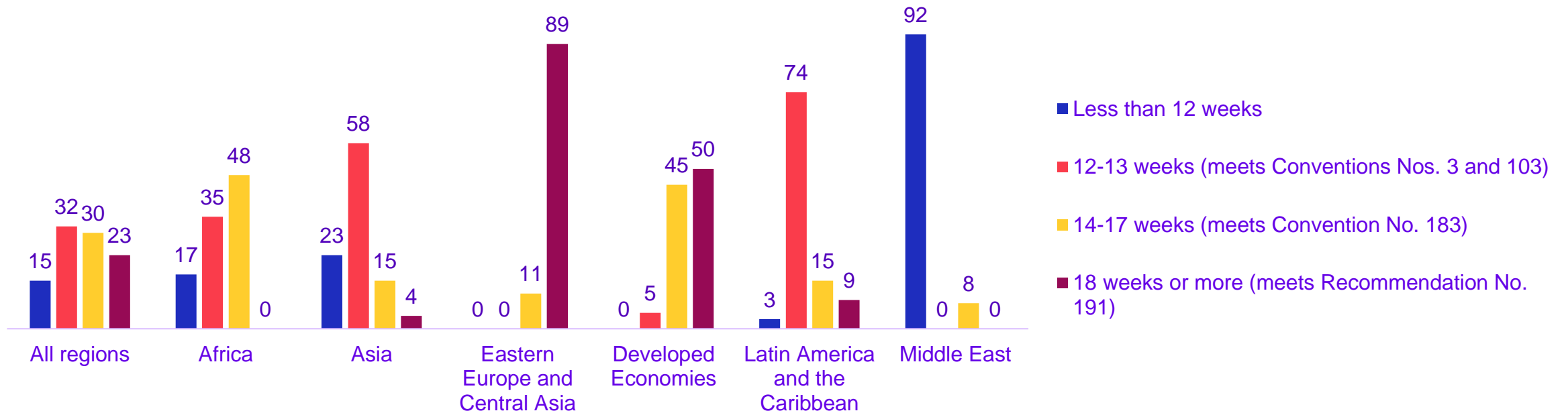
Convention 183 (Article 4)	Recommendation 191 (Paragraph 1)	Law Number 13 of 2003 (Article 82)**
Not less than 14 weeks including 6 weeks compulsory post-natal leave*	At least 18 weeks  Entitle women to choose freely the time at which she takes any non-compulsory portion of maternity leave before or after childbirth  Extend maternity leave in the event of multiple births	3 months including 1.5 months of pre-natal leave and 1.5 months of post-natal leave  1.5 months of miscarriage leave

\* This instrument opens up the possibility of agreements being made between governments and representative organizations of employers and workers at the national level on the arrangement of compulsory leave.

\*\* The length of the period of rest may be extended if such is medically required as attested by a written medical statement from the obstetrician or midwife either prior to or after the delivery.

## Duration of maternity leave (2)

Statutory duration of maternity leave, by region, 2013 (185 countries and territories) (%)



## Amount of cash benefits (1)

Convention 102 (Article 52)	Convention 183 (Article 6)	Recommendation 191 (Paragraph 2)	Law Number 13 of 2003 (Article 84)
45% up to 12 weeks	At least two-thirds of previous earnings for a minimum of 14 weeks*	Full amount of previous earnings	Full amount of wage

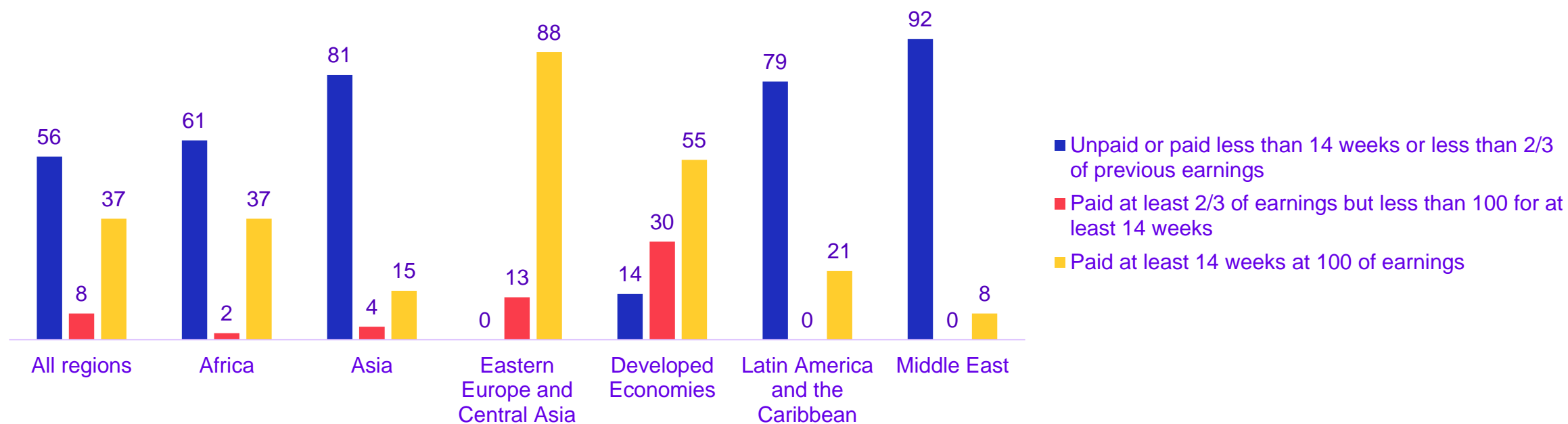
### Guiding principle

- The level of benefits should ensure that the woman can maintain herself and her child in proper conditions of health and with a suitable standard of living.

\* A comparable amount is allowed if other methods are used to determine cash benefits

## Amount of cash benefits (2)

Amount of cash benefits and maternity leave duration, by region, 2013 (167 countries) (%)



## ▶ Aligning with international labour standards for better protection

Parameter	Current policy	Convention 102	Convention 183
Coverage	All female employees	50 per cent of all female employees	All female employees
Duration (Maternity leave)	1.5 months antenatal leave and 1.5 months postnatal leave (13 weeks)	12 weeks	<b>14 weeks including 6 weeks compulsory post- natal leave</b>
Replacement rate	100% of wage	45% of previous earnings	67% of previous earnings
Financing	Employers	<b>Social insurance</b> , taxation	Social insurance, taxation

## Options for creating a new maternity benefit scheme of BPJS Employment

Maternity allowance	Benefit	Alignment with ILS	
		C102	C183
Option 1 (Law No. 13 2003)	100% for a maximum of 13 weeks	Yes	No
Option 2	45% for a maximum of 14 weeks	Yes	No
Option 3	67% for a maximum of 14 weeks	Yes	Yes
Option 4	100% for a maximum of 14 weeks	Yes	Yes
Option 5	67% for a maximum of 26 weeks	Yes	Yes
Option 6 (Proposed in the Bill)	100% for a maximum of 26 weeks	Yes	Yes



## ► Preliminary recommendation (A minimum package)

Key parameter	Description
Coverage	Coverage Mandatory for all wage workers (= Member of JKK/JKm + construction workers)
Beneficiaries	391,992 (est. in 2023)
Qualifying condition	Contribution paid for 12 months in the 18-month period preceding the maternity leave
Benefit	67 per cent of average wage of the 6-month period preceding the maternity leave
Duration	A maximum of 14 weeks including the 6-week compulsory post-natal leave
Actuarial review	Every three year

## Options for providing men with additional benefits (1)

### Paternity allowance

The paternity allowance would be paid at a time chosen by the father during the maternity leave of the mother.

Paternity allowance	Benefit
Option 1	100% for a maximum of 1 week
Option 2	100% for a maximum of 6 weeks

## Options for providing men with additional benefits (2)

### Birth grant

A birth grant would be paid for each birth to persons who satisfy the contribution requirement for the maternity allowance. It would also be paid to insured men if there is a birth in the family and the mother is not insured. It would be payable for each birth in case of multiple births.

Birth grant	Benefit
Option 1	100% of the monthly minimum wage

## Case study

Indicators	Country A	Country B
Minimum wage (IDR)	2,671,142	2,367,241
Maternity leave	6 months	6 months
Benefit (% of wage)	100%	100%
Finance	Employer liability	Social insurance (3% of wage by employer)

Garment factory	10,000 female employees	10,000 female employees
Case 1	500 workers on maternity leave	500 workers on maternity leave
Monthly expenditure	1,336 mil. (= 2.7 mil x 500)	710 mil. (= 2.4 mil. x 10,000 x 3%)

Case 2	1,000 workers on maternity leave	1,000 workers on maternity leave
Monthly expenditure	2,671 mil. (= 2.7 mil x 1,000)	710 mil. (= 2.4 mil. x 10,000 x 3%)

# ► Old-age benefit

## Legal coverage of BPJS-TK programmes

Scheme		Wage worker			Non-wage worker
		Large/Medium	Small	Micro	
Old-age saving	JHT	Mandatory	Mandatory	Voluntary	
Pension	JP		Voluntary		Not eligible

## Old-age pension (JP)

Parameters	C102	JP
Coverage	50% of all employees	Employees of the formal sector working in <b>medium or large scale enterprises</b> .
Qualifying condition	15 years of contributions	15 years of contributions
Replacement rate	40% for 30 years of contributions	<b>30% for 30 years of contributions</b>
Duration	Lifetime	Lifetime
Payment	Periodical	Periodical

## Old-age pension (JHT)

Parameters	C102	JHT
Coverage	50% of all employees	Employees of the formal sector working in <b>small, medium or large scale enterprises</b> ; and <b>voluntary for other workers</b> .
Qualifying condition	15 years of contributions	<b>n/a (Paid at the age 56)</b>
Replacement rate	40% for 30 years of contributions	<b>Up to the amount of saving</b>
Duration	Lifetime	<b>Up to the amount of saving</b>
Payment	Periodical	<b>Lump-sum</b>

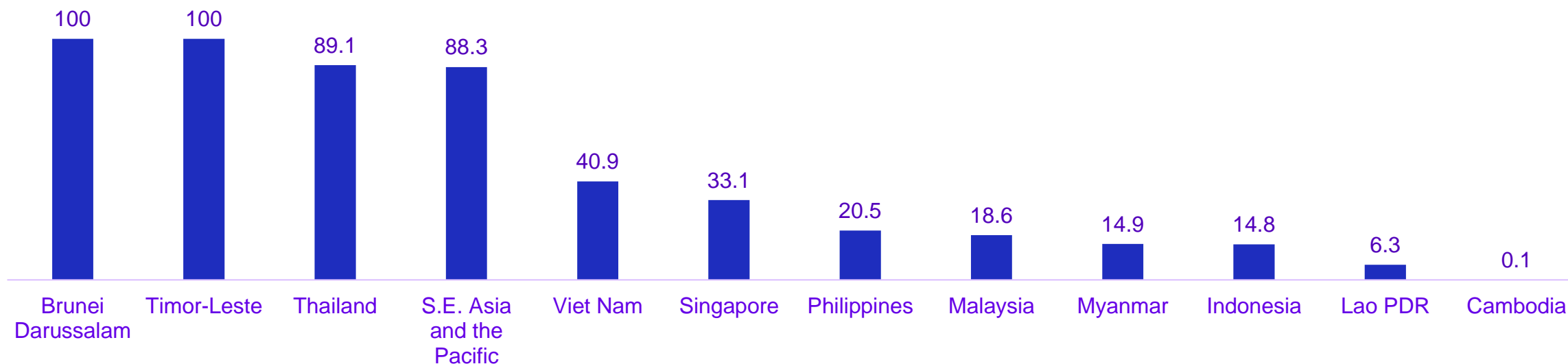


## Active participants in old-age benefit schemes

Working age population, age 20-59* ( ) = Female		TASPEN	ASABRI	JHT	JP
Economically active	119 million (47 million)	21 million			
Employee	46 million (17 million)	4 million	1 million	15 million	12 million
<b>Non-wage worker or employer</b>	<b>65 million (27 million)</b>	-	-	<b>0.6 million</b>	-
Unemployed	7 million (3 million)	-	-	-	-
Economically inactive	36 million (30 million)	-	-	-	-
Student	3 million (1 million)	-	-	-	-
<b>House keeping</b>	<b>29 million (27 million)</b>	-	-	-	-
Others	4 million (1 million)	-	-	-	-

## Older persons receiving a pension in South-Eastern Asia

Persons above statutory retirement age receiving an old-age pension (including contributory and non-contributory) to persons above statutory retirement age (%)



## Older-age income security in ASEAN Member States

Old-age pension schemes anchored in national legislation providing periodic cash benefits  
10 countries

Contributory scheme  
only

2 countries (KHM,  
LAO)

Contributory scheme  
and non-contributory,  
means-tested scheme

5 countries (IDN,  
MYS,PHL, SGP, VNM)

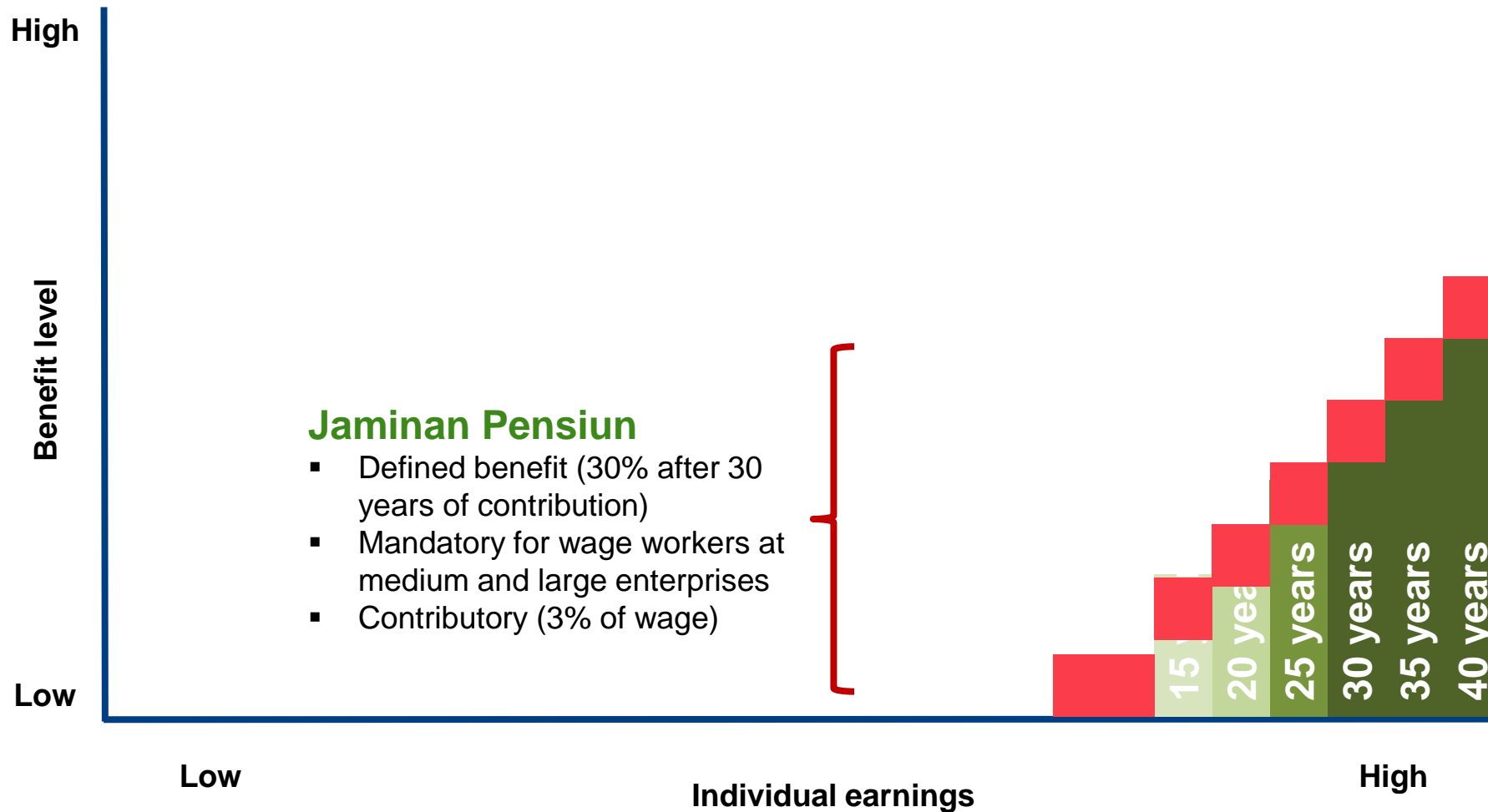
Contributory scheme  
and non-contributory,  
pension-tested scheme

1 country (THA)

Contributory scheme  
and non-contributory,  
universal scheme

2 countries (BRN,  
MMR)

## Current system



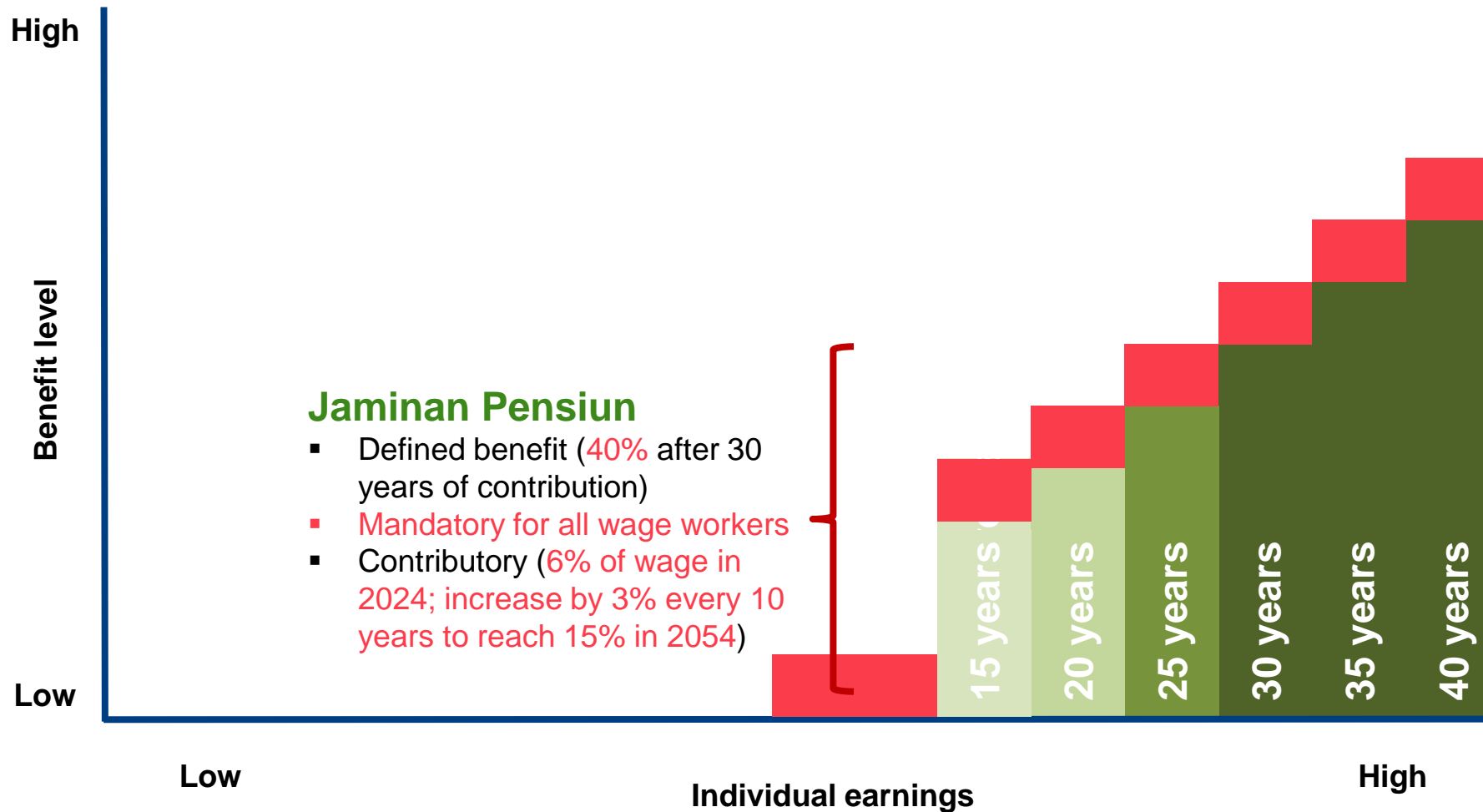
### Jaminan Pensiun

- Defined benefit (30% after 30 years of contribution)
- Mandatory for wage workers at medium and large enterprises
- Contributory (3% of wage)

### Jaminan Hari Tua

- Defined contribution
- Mandatory for wage workers at small to large enterprises
- Voluntary for micro enterprise and non-wage workers
- Contributory (% of income)

## Extension of Jaminan Pensiun only (Option 0)



## ► Universal Pension

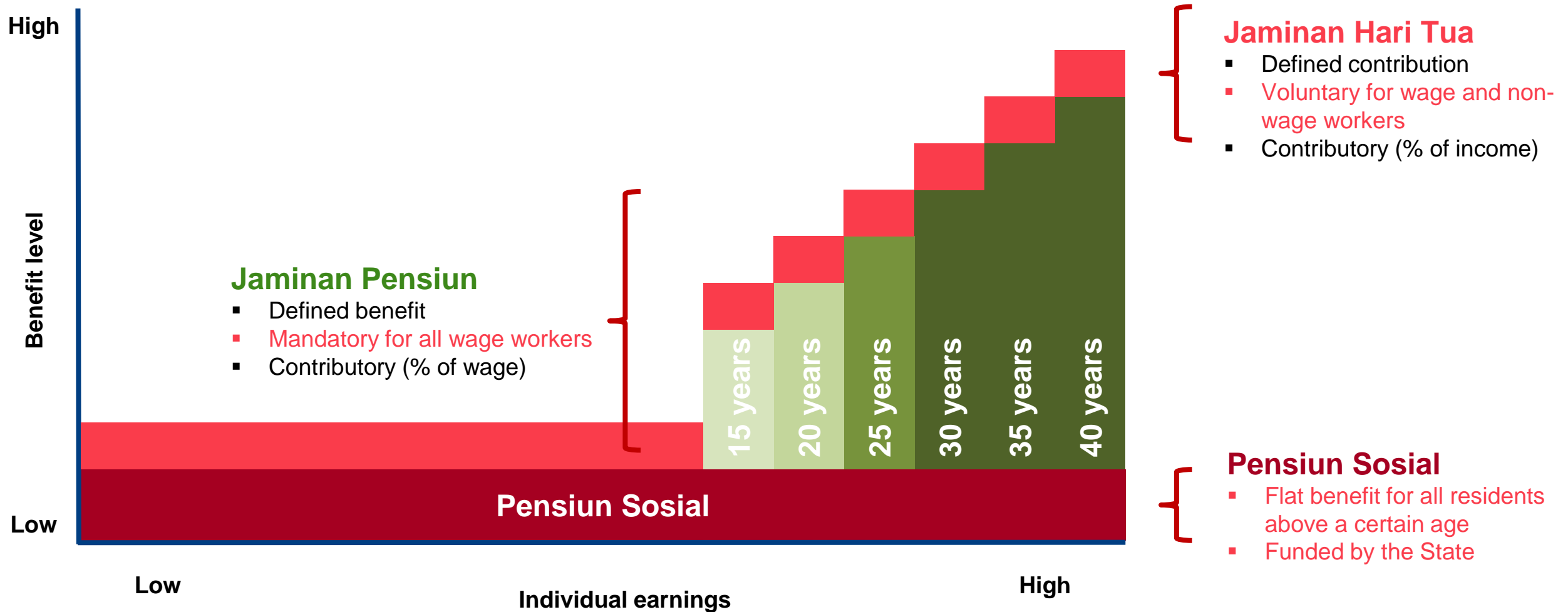
### Social Pension

- A non-contributory scheme, entirely funded by the State
- All residents above a certain age
- A low level of benefits

### National Pension

- A mixed scheme
- Mandatory for all residents to contribute
- All residents above a certain age
- An adequate level of benefits

## Social Pension (Option 1)



## ► Social Pension (Option 1-A)

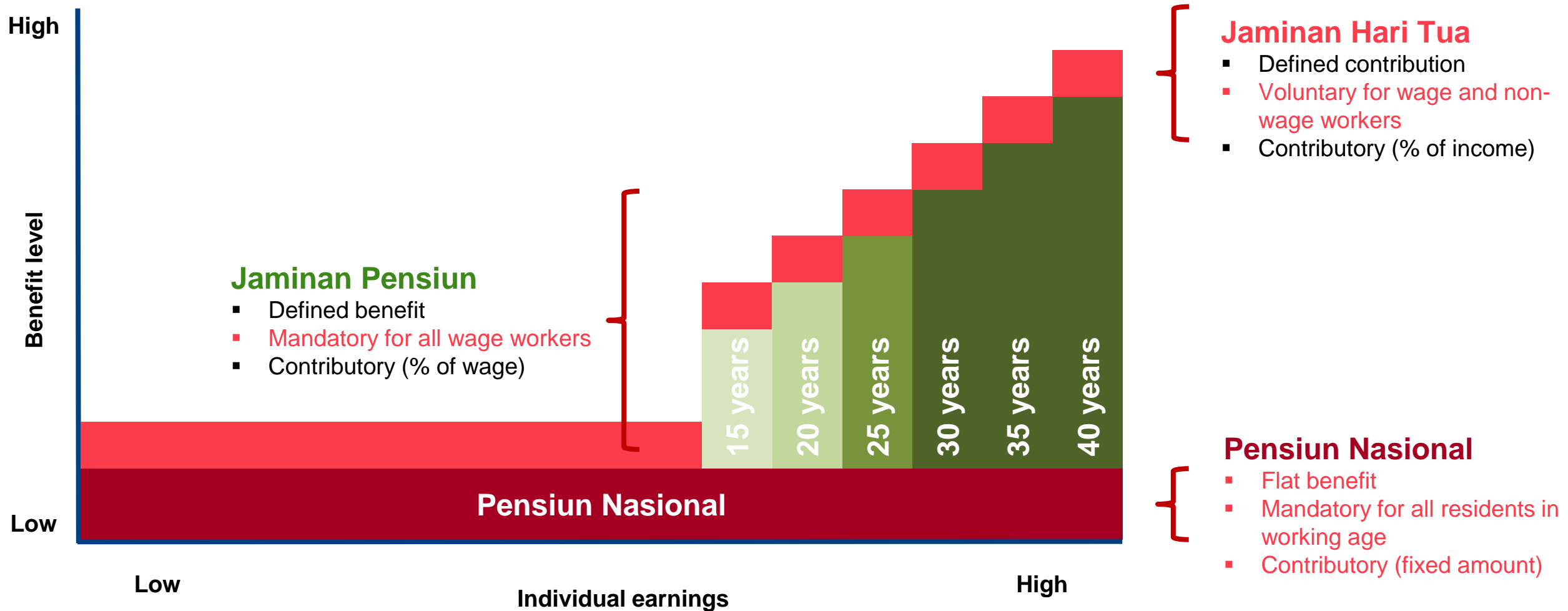
- A flat-rate pension at the level of the national poverty line in rural areas (**IDR 464,474 in 2021**) would be paid to all persons above a certain age who have **a minimum period of residence of 10 years in Indonesia**.
- It would be paid to all persons **above age 75 in 2023**. The age of access to the pension would **gradually decrease from 75 to 65 over a period of 10 years**.
- It would be **entirely financed by the State**.



## ► Social Pension (Option 1-B)

- A flat-rate pension at the level of the national poverty line in rural areas (IDR 464,474 in 2021) would be paid to all persons above a certain age who have a minimum period of residence of 10 years in Indonesia.
- It would be paid to all persons above age ~~65~~<sup>75</sup> in 2023. ~~The age of access to the pension would gradually decrease from 75 to 65 over a period of 10 years.~~
- It would be entirely financed by the State.

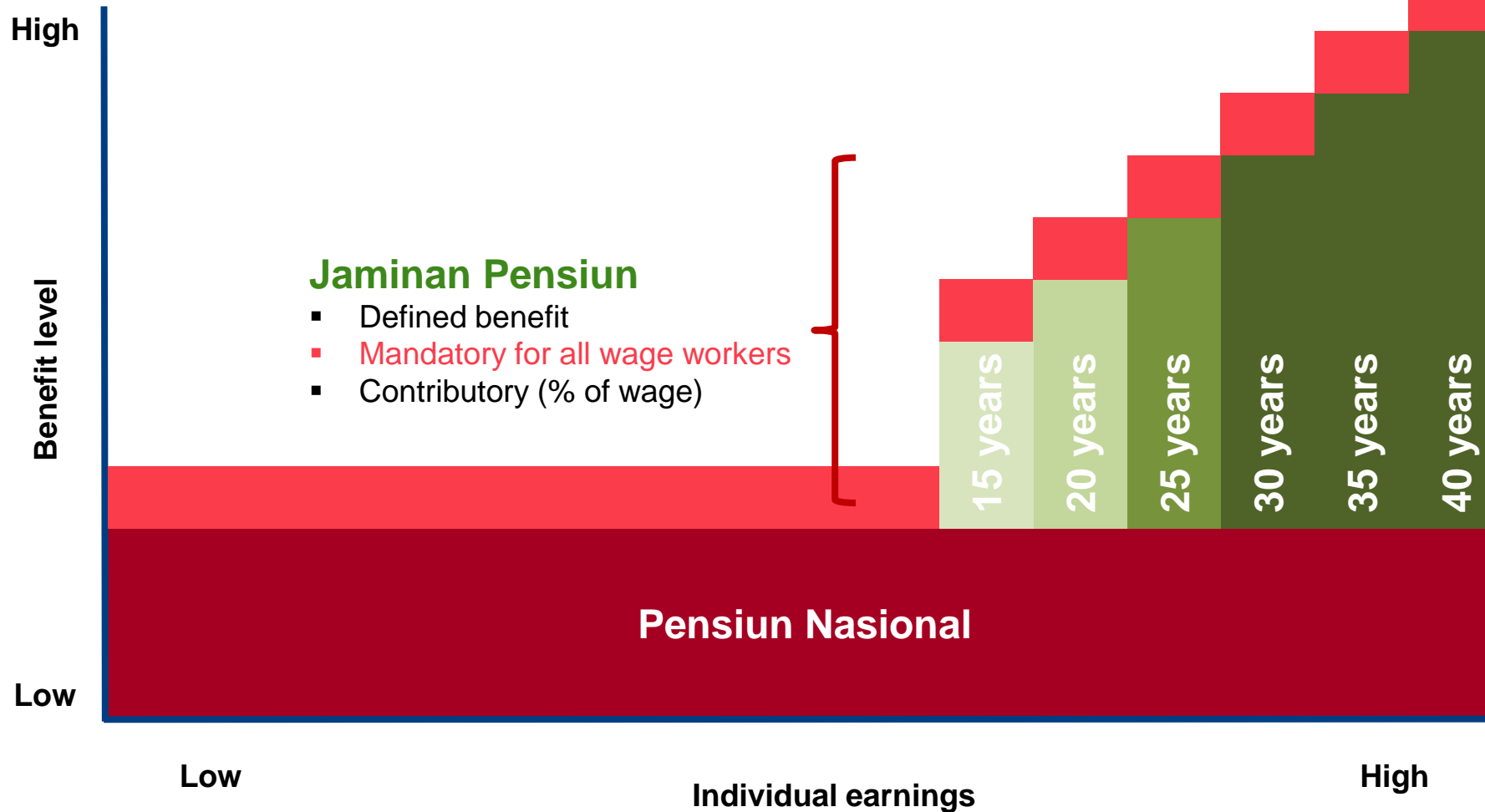
## National Pension (Option 2-A)



## ► National Pension (Option 2-A)

- The National Pension would be gradually acquired through **flat-amount contributions (IDR 300,000 per month**, indexed annually in line with the general wage increase). The objective is to cover all residents on a mandatory basis. In addition, it would be possible for workers to pay NP contributions in the name of family members who are not in the labour force.
- For a person with **30 years of contribution**, the NP would be equal to **IDR 500,000 in 2023 (approximately 20 per cent of the average national minimum wage)**. This amount would be indexed annually in line with the general wage increase.
- The National Pension would be paid from age 65.
- Transitional measures would guarantee a minimum pension to persons above a certain age (at date of implementation) who did not have the opportunity to contribute to the NP in the past.

## National Pension (Option 2-B)



### Jaminan Hari Tua

- Defined contribution
- Voluntary for wage and non-wage workers
- Contributory (% of income)

### Pensiun Nasional

- Flat benefit
- Mandatory for all residents in working age
- Contributory (fixed amount) + non-contributory (benefit subsidy)

## ► National Pension (Option 2-B)

- The National Pension would be gradually acquired through flat-amount contributions (**IDR 300,000 per month (TBC)**, indexed annually in line with the general wage increase). The objective is to cover all residents on a mandatory basis. In addition, it would be possible for workers to pay NP contributions in the name of family members who are not in the labour force. **The State subsidizes half of benefits.**
- For a person with **30 years of contribution**, the NP would be equal to **IDR 1 million 500,000 in 2023 (approximately 40 20 per cent of the average national minimum wage)**. This amount would be indexed annually in line with the general wage increase. **Each year of contribution accumulates 1/60 from the person's contribution and 1/60 from the state's artificial contribution. The person can inform BPJS for exemption if s/he cannot afford to pay a contribution for a certain period, and BPJS will credit only the 1/60 from the state's portion for the period. It means that a person who has never contributed to the fund will be still entitled to IDR 500,000 at age 65.**
- The National Pension would be paid from age 65.
- Transitional measures would guarantee a minimum pension IDR 500,000 in 2023 (annually indexed) to persons above age 65 who did not have the opportunity to contribute to the NP in the past, **and gradually reduced proportionately by 1/60 until 2053.**

# ► Employment injury benefit

## Selected policy issues

## Permanent disability benefit (permanent inability to work)

Degree of disability	Article 36 – C102	JKK
Total disability	50 per cent of previous earnings throughout the contingency in periodical payment	<ul style="list-style-type: none"> <li>70% of 80 months of last wage in lump sum</li> <li>IDR 500,000 periodical payment for 24 months (or lump sum of IDR 12 million).</li> </ul>
Partial disability	50 per cent of previous earnings throughout the contingency in periodical payment*	<ul style="list-style-type: none"> <li>Partial anatomical disability = % refers to table x 80 month of last wage in lump sum</li> <li>Partial functional disability = % of the functional decrease x % refers to table x 80 month of last wage in lump sum</li> </ul>

Note: The periodical payment may be commuted for a lump sum: where the degree of incapacity is slight; or where the competent authority is satisfied that the lump sum will be properly utilised.

## ► Permanent disability benefit – Preliminary assessment

### Payment and duration of permanent disability benefits

- The programme provides benefits in lump sum for a prescribed duration.
- The Convention requires a periodical payment of at least 50% of the insured's previous earnings throughout the contingency.



## Survivor's benefit (breadwinner's death)

Degree of disability	Article 36 – C102	JKK
Death grant	40 per cent of deceased's previous earnings in periodical payment	<ul style="list-style-type: none"> <li>60% of 80 months of last wage in lump sum subject to a minimum amount of IDR 20 million</li> <li>IDR 500,000 periodical payment for 24 months (or lump sum of IDR 12 million).</li> </ul>
Funeral grant		<ul style="list-style-type: none"> <li>IDR 10 million in lump sum</li> </ul>
Scholarship		<p>For a maximum of two children</p> <ul style="list-style-type: none"> <li>Kindergarten to elementary school: IDR 1.5 million per year per child (for a maximum education period of eight years)</li> <li>Middle school or equivalent level: IDR 2 million per year per child (for a maximum education period of three years)</li> <li>High school or equivalent level: IDR 3 million per year per child (for a maximum education period of three years)</li> <li>Higher education or training: IDR 12 million per year per child (for a maximum education period of five years).</li> </ul>

## ► Survivor's benefit – Preliminary assessment

### Payment, duration and amount of survivor's benefits

- The programme provides benefits in lump sum for a prescribed duration.
- The Convention requires a periodical payment of at least 40% of the breadwinner's previous earnings.

# ► Unemployment benefit

## Selected policy issues

## ► Risks of effectiveness (1)

**The current policy will prevent vulnerable workers from receiving benefits**

### **Qualifying conditions**

- 12 months in last 24 months including 6 consecutive months (Article 19 (3))

### **Treatment of voluntary unemployment or forced termination**

- No benefit for voluntary unemployment (Article 20 (1))
- Not regulated for voluntary unemployment with just cause i.e. End of fixed-term employment is not regulated to grant UI benefits

## ► Risks of effectiveness (2)

### Subsequent claims

- Workers can claim only up to 3 times during working age (Article 35)
- The second/third claim can be submitted 5 years after the first/second benefit (Article 35b,c)

## ► Risks of effectiveness (2)

### Relevance of maximum insurable earnings for calculating contribution and benefits

- 5,000,000 rupiahs (Article 11 (7), 21 (3))
- No automatic indexation mechanism, but instead, adjusted through a regular assessment every 2 years (Article 12, 22)

## ► Risks of effectiveness (3)

### Treatment of employer's non-compliance

- **Underreporting earnings:** If employers report different wage amount from actual wage amount, the employers have to compensate the difference in unemployment benefits paid by BPJS Employment that workers were supposed to be entitled to (Article 23).
- **Not registering workers:** If an employer does not enrol employees in the programme and terminates employment, the employer has to pay unemployment cash benefits following the abovementioned formula but in lump sum as well as training allowance (Article 37).

## ► Risks of effectiveness (4)

- **Not contributing up to 3 consecutive months:** If employers are in arrears for JKK and JKM contributions for up to 3 consecutive months prior to termination of employment, BPJS Employment shall pay unemployment cash benefits following the abovementioned formula to workers; and the employers shall pay the contributions in arrears (Article 39 (1), (2)).
- **Not contributing more than 3 consecutive months:** If an employer are in arrears for JKK and JKM contributions for more than 3 consecutive months prior to termination of employment, employers shall pay unemployment cash benefits following the abovementioned formula to workers; the employers shall pay the contributions in arrears; and the employers can request BPJS Employment to reimburse the amount of benefits paid to workers no later than 3 months after the date of payment (Article 39 (3), (4), (5)).



## ► Risks of efficiency

- Consequences of suitable job offers are not regulated.
- Consequences of frequent absence from trainings are not regulated.

## ► Risk of sustainability

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

# ▶ THANK YOU

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