

INTERNATIONAL LABOUR STANDARDS AND EXISTING SCHEMES IN INDONESIA

Jakarta, November 2019

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EXISTING SCHEMES IN INDONESIA

WAGE WORKERS

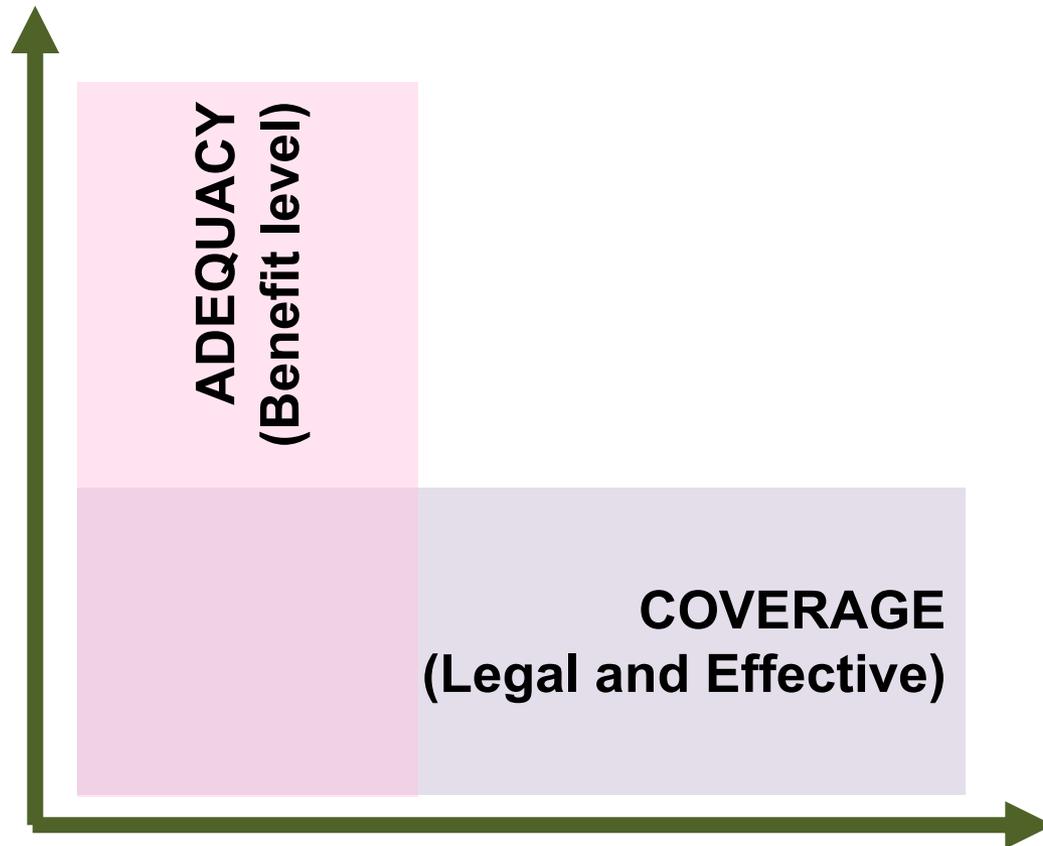
Contingency	Social Protection	Employers' liability
Health care	JKN	
Sickness benefits (cash)		Labour law
Maternity benefits (cash)		Labour law
Old-age protection	JP, JHT	
Employment injury	JKK	
Invalidity benefits	JP, JHT	
Survivors benefits	JP, JHT, JKm	
Child/Family benefits	PKH	
Unemployment benefits		Labour law
	6	3

NON-WAGE WORKERS

Contingency	Social Protection	Employers' liability
Health care	JKN	
Sickness benefits (cash)		
Maternity benefits (cash)		
Old-age protection	JHT	
Employment injury	JKK	
Invalidity benefits	JHT	
Survivors benefits	JHT, JKm	
Child/Family benefits	PKH	
Unemployment benefits		
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**DOES THE SCHEMES MEET
INTERNATIONAL LABOUR STANDARDS?**

COVERAGE AND ADEQUACY



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	

EFFECTIVE COVERAGE

Benefit	Number of workers	Effective Coverage
JKm, JKK, JHT, JP	10.6 million	7.9%
JKm, JKK, JHT	14.6 million	10.9%
JKm, JKK	26.2 million	19.6%
No coverage	107.8 million*	80.4%
Labour force	134 million	-

LABOUR FORCE

Employment status	Number of workers	Distribution
Employers	25.6 million	19.1%
Wage workers	48.4 million	36.1%
Non-wage workers	53.0 million	39.6%
Unemployed	6.9 million	5.1%
Total	134 million	100%

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>74 million</u> <u>(55%)</u> Mandatory	Voluntary	<u>53 million</u> <u>(40%)</u>
Pension insurance	JP		Voluntary	Not eligible	

LET'S SEE ONE BY ONE...

OLD-AGE PENSION (JP)

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

OLD-AGE PENSION (JP)

Recommendation: Consider an universal coverage

- President regulation to extend JP to all employees by 2029. Timeline?
- What about non-wage workers?
- Voluntary schemes do not extend coverage

OLD-AGE PENSION (JP)

Recommendation: Improve benefits

- 30% of wage for 30 years of contributions is too low
- C102 requires 40% of wage for 30 years of contributions

OLD-AGE PENSION (JP)

Recommendation: Increase contribution rates

- 3% is too low. Reserve will be depleted in 2058*
- Presidential regulation indicates to increase to 8%.
When?

OLD-AGE PENSION (JP)

Recommendation: Grant additional years of services

- Nobody will be able to qualify for a periodical pension until 2030
- Consider a measure for those who cannot qualify minimum condition of 15 years contribution

OLD-AGE SAVING (JHT) – OLD-AGE

Parameters	C102	JHT
Coverage	50% of all employees	Employees and non-wage (voluntary)
Qualifying condition	15 years of contributions	Up on retirement
Replacement rate	40% for 30 years of contributions	Up to individuals
Duration	Lifetime	One time
Payment	Periodical	Lump-sum

OLD-AGE SAVING (JHT) – UNEMPLOYMENT

Parameters	C102	JHT
Coverage	50% of all employees	Employees and non-wage (voluntary)
Replacement rate	45%	Up to individuals
Duration	13 weeks within 12 months	One time
Payment	Periodical	Lump-sum
Linkage to ALMPs	Yes	No

OLD-AGE SAVING (JHT)

Reason of JHT claims	Distribution
Resignation	76.4%
Layoff	17.2%
Retirement	2.8%
Partial Claim	2.5%
Death	1.0%
Leaving Indonesia	0.2%
Total	100.0%

OLD-AGE SAVING (JHT)

Recommendation: Integrate JHT into JP and employment insurance

- JHT does not guarantee income security at old-age
- JHT will overlap employment insurance
- JHT does not meet requirements of C102 (no risk-pooling etc.)

DEATH BENEFIT (JKM)

Parameters	C102	JKm
Replacement rate	40%	IDR36 million 16.2 million + 3 million for funeral + IDR0.2 million/month for 24 months + 12 million/child
Duration	Widow: Lifetime or remarriage Orphan: Certain age	24 months
Payment	Periodical	Lump-sum

SURVIVORS AND DISABILITY BENEFITS (JP)

Parameters	C102	JP
Replacement rate	40%	50%
Duration	Widow: Lifetime or remarriage Orphan: Certain age	Widow: Lifetime Orphan: Certain age
Payment	Periodical	Periodical

SURVIVERS AND DISABILITY BENEFITS

Recommendation: Streamline JP, JKm and JHT

- JP meets requirements of C102.
- JKm and JHT do not meet requirements of C102.
- Partially or fully integrate JKm and JHT into JP.

EMPLOYMENT INJURY BENEFIT (JKK) – TEMPORARY DISABILITY

Parameters	C102	JKK
Replacement rate	50%	100% for 0-6 months 75% for 7-12 months 50% for 13+ months
Duration	Throughout the contingency	Throughout the contingency
Payment	Periodical	Periodical

EMPLOYMENT INJURY BENEFIT (JKK) – PERMANENT DISABILITY

Parameters	C102	JKK
Replacement rate	50%	Fixed amount 70% of 80 months of wage plus IDR200,000/month for 24 months
Duration	Throughout the contingency	24 months
Payment	Periodical	Lump-sum

EMPLOYMENT INJURY BENEFIT (JKK) – BREADWINNER'S DEATH

Parameters	C102	JKK
Replacement rate	40%	Fixed amount 60% of 80 months of wage subject to a minimum of IDR16.2 million
Duration	Throughout the contingency	?
Payment	Periodical	Lump-sum

EMPLOYMENT INJURY BENEFIT (JKK)

Recommendation: Assess the scheme in line with conventions

- The benefit shall be a periodical payment.
- The benefit level needs to be assessed.

MATERNITY AND SICKNESS BENEFIT

Parameters	C102 Maternity benefit	C102 Sickness benefit
Replacement rate	45%	45%
Duration	12 weeks	26 weeks
Payment	Periodical	Periodical

MATERNITY AND SICKNESS BENEFITS

Recommendation: Introduce contributory maternity and sickness benefits

- Move from employer's liability to social insurance
- Reduce business costs and protect better workers
- Attract workers to participate in BPJS schemes.

Thank you

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