

The Progress & Challenge for The Extension of JP & JHT

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Have we ever wondered what our lives will be like after retirement?

BPJS Ketenagakerjaan Managing Social Security In Indonesia

Indonesia is an archipelago country located in between Asia and Australia continent



POPULATION
281 Million People



WORK FORCE
140 Million People
50.5% from population



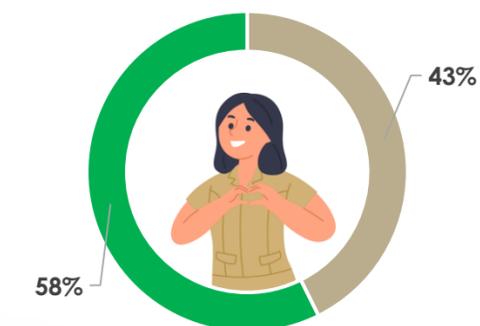
FORMAL WORKER
56 Million People

INFORMAL WORKER
83 Million People



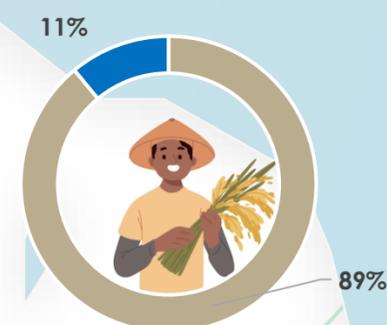
Current Coverage

FORMAL WORKERS



■ Potential : 56 million
■ Registered : 32.36 million

INFORMAL WORKERS



■ Potential: 83 million
■ Registered: 9.19 million

Our Infrastructure



11
Regional Offices



324
Branch Offices



552
Services Officers



103
Case Managers

The Program Managed



Old Age Saving



Pension Benefit



Unemployment Insurance



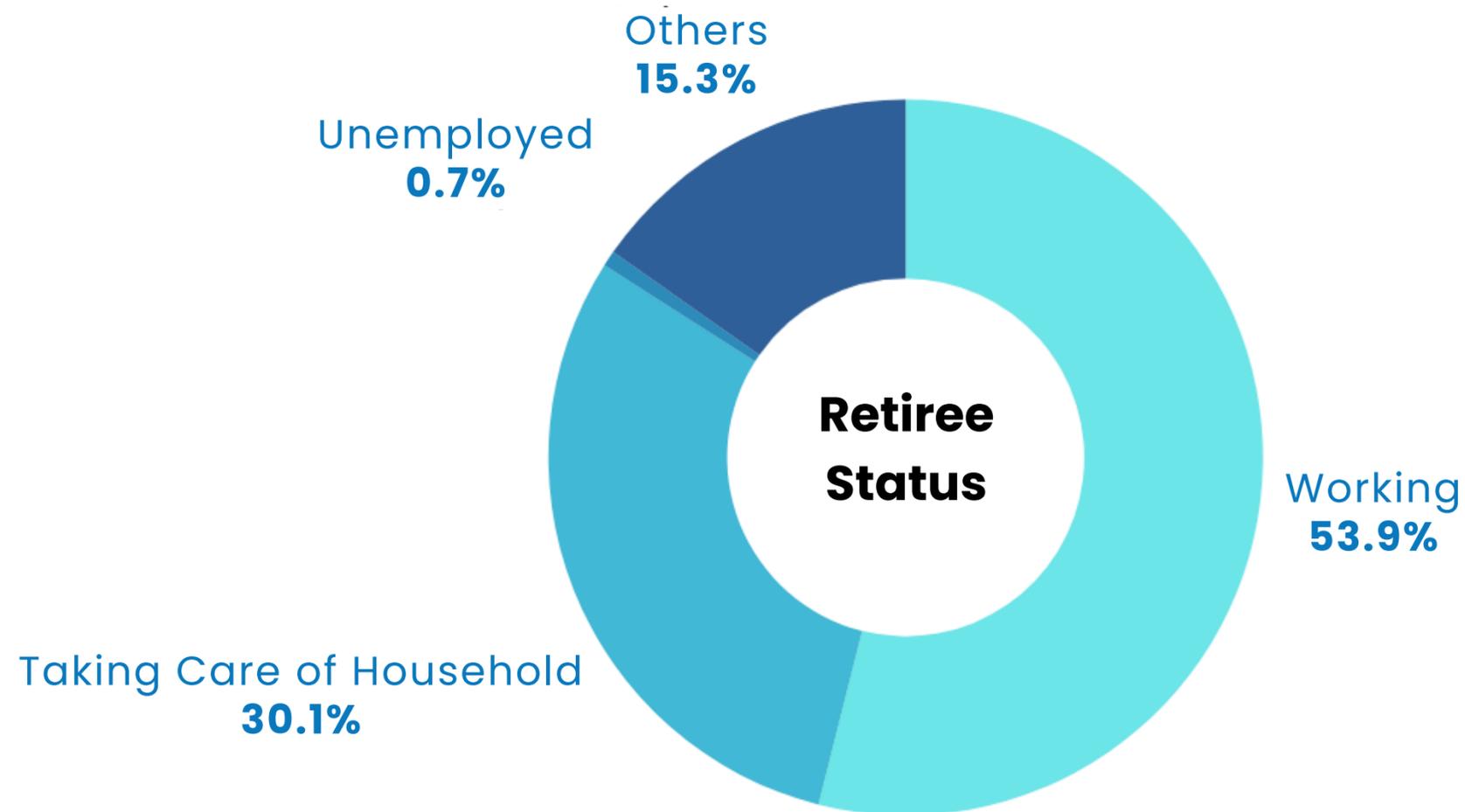
Death Benefit



Work Accident Insurance

*August 2024

The Reality After Retirement



Source: Central Bureau of Statistics,
National Labor Force Survey (Sakernas), August 2023

**More than half of
retirees (53.9%)
are still working**

Are they working
because they want to, or
because they have to?

Pattern of Financial Dependence

Among the Elderly After Retirement

Sources of Household Financing for the Elderly

Housewives, informal workers, and elderly without savings who rely on family for their living expenses

Relying on Working Household Members
83,74%

Relying on Financial Transfers from Others
10,97%

Single parents and elderly who receive financial support from children or relatives, social assistance, zakat, or other informal help

Retired civil servants, state-owned enterprise employees, and formal workers receiving pension benefits from BPJS Employment or company pensions

Pension Benefits
5,01%

Investments
0,28%

Former entrepreneurs or professionals with income sources from assets such as stocks, deposits, or small businesses

Without strong pension protection, 83.74% of the elderly must rely on family in old age

Strong pension protection is key to an independent and prosperous old age

Eligibility of Programs by Segment

Active Participant



Strategies for Coverage Issues

For Small, Micro Enterprises & Informal Workers (BPU)

-  **Data & Policy Integration**
Leveraging digitalization to synchronize population, employment, and program data.
-  **Strategic Alliances**
Building partnerships with communities, government programs, banks, cooperatives, and multifinance institutions for outreach and enrollment.
-  **Fiscal Intervention**
Public subsidies or contribution assistance for marginal and vulnerable informal workers.
-  **Massive Campaigns**
Nationwide awareness, education, and promotion campaigns to improve program understanding and trust.
-  **Creating Needs**
Shaping public perception on the importance of retirement and income security as essential needs — not optional.

Why Is the Pension Program Important??



Positive Campaign

Provides guaranteed benefits without requiring an accident or death to occur



Promotes Contribution Sustainability

Builds awareness to consistently meet the minimum contribution period



Encourages Early Contributions

The earlier you contribute, the greater the benefits you will receive



Ensures Benefit Sustainability

Guarantees continuous benefits for both participants and eligible heirs



Accumulated Rights, Not Risk-Based Insurance

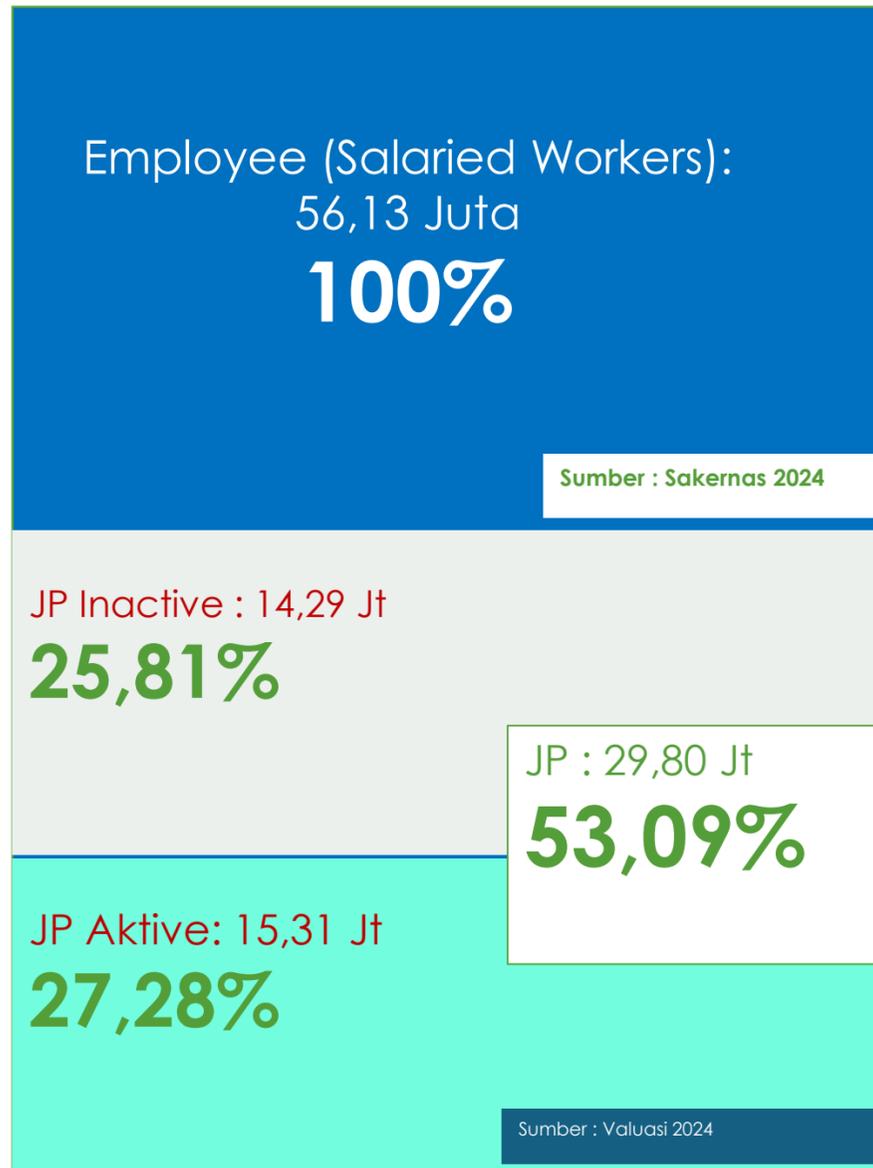
Contributions paid remain recorded and accumulate as pension rights, even if participants stops working

Challenges Pension Program

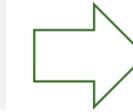
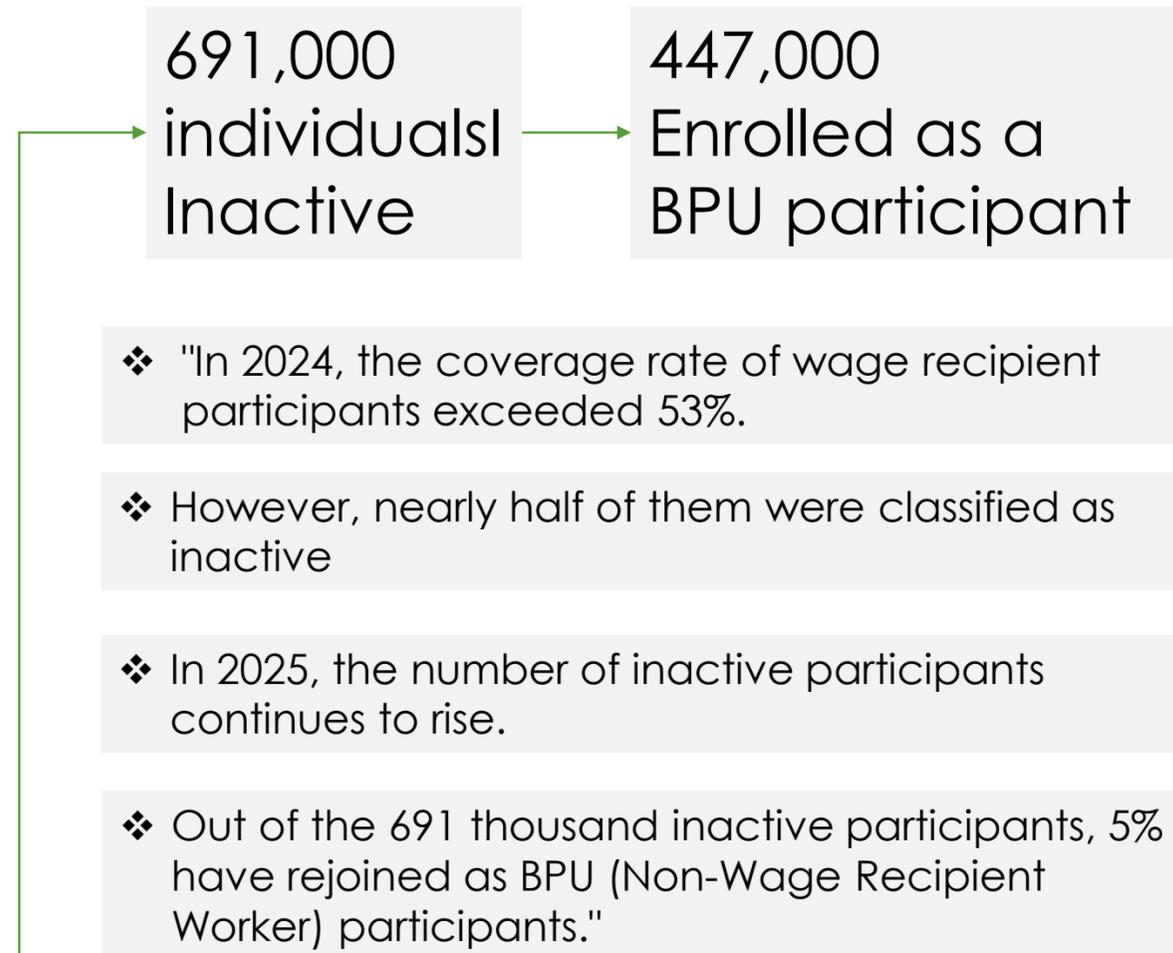
-  Coverage Expansion Gap
Limited participation among informal (BPU) and small formal (PU kecil mikro) workers due to voluntary scheme and regulatory gaps.
-  Contribution Rate Stagnant at 3%
Funding remains partial, with no increase in over 10 years — limiting adequacy and long-term sustainability.
-  Low & Unstable Income
Most BPU operate at subsistence level with irregular income, leading to inconsistent contributions and dropout risks.
-  Wage Level Adequacy
Low wages hinder sufficient pension accumulation and limit future benefits.
-  Lack of Regulation for Informal JP Participation
No mandate yet for JP participation in the informal sector under BPJS Ketenagakerjaan.
-  Future Demographic
 -  Core Challenge: Addressing pension challenges for BPU requires regulatory push, adaptive contribution models and income support strategies.

Employment Conditions & Old-Age Security (JP)

2024



2025



- ❖ More participants are losing the opportunity to increase their JP contribution period.
- ❖ Returning to work as BPU is effectively the same as being unemployed in terms of JP contribution: it does not extend the pension contribution period.
- ❖ On the other hand, the contribution density rate for BPU is only 50% (in 2024).

Challenges

Provident Fund Program (JHT)



Early Withdrawal Policy

Participants often withdraw funds before retirement, reducing JHT's function as long-term old-age savings.



Low Contribution Rate (5.7%)

Current rate may not generate sufficient savings to support retirement needs, especially for low-income workers.

Old-Age Savings (JHT) Profile

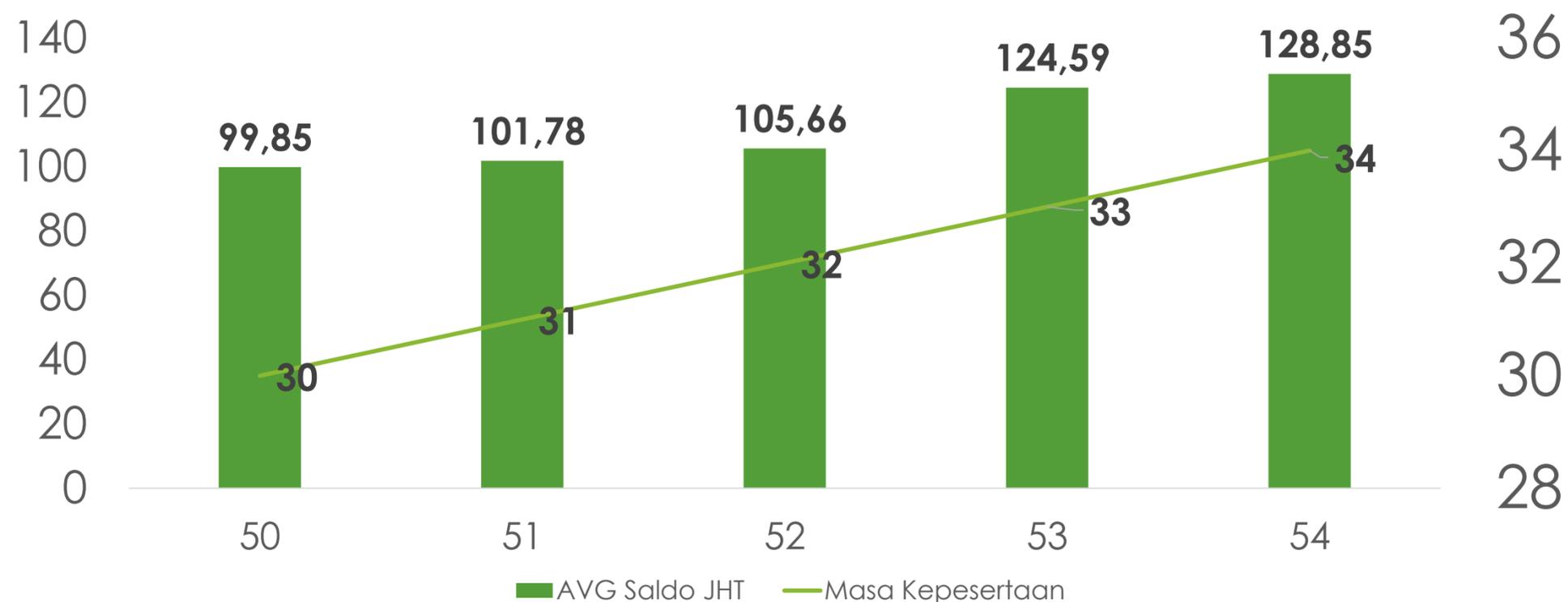
Active Workers as of December 2024

Agr	Membership Duration					Balance
	0 - 10 Years	11 - 20 Years	21 - 30 Years	Above 30 Years	AVG (Year)	AVG (Mio)
50	51.1%	22.9%	23.7%	2.3%	12.39	53.46
51	50.0%	21.9%	24.1%	4.0%	12.91	55.97
52	48.7%	21.5%	23.8%	6.0%	13.42	59.02
53	47.4%	21.0%	23.6%	8.0%	13.95	67.77
54	47.2%	20.8%	21.6%	10.4%	14.21	66.27
55	53.4%	20.3%	17.0%	9.4%	12.88	61.81
56	60.1%	19.6%	12.8%	7.5%	11.26	40.13

"As participants approach retirement, the majority have less than 20 years of participation in the JHT program. Only a small portion have a membership duration of more than 30 years."

Old-Age Savings Savings (JHT) Profile

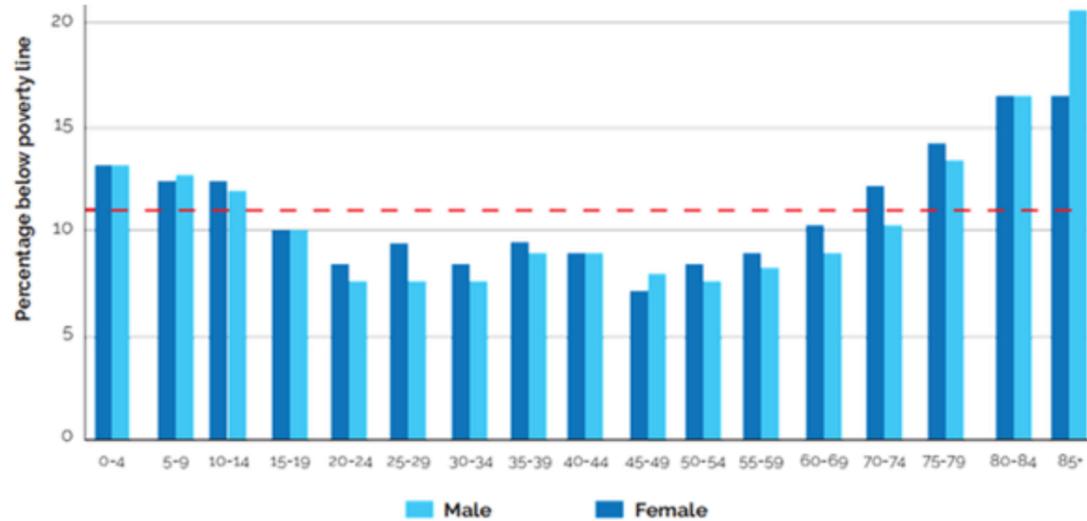
Balance Vs Membership Duration



An example of a long-term JHT participant (minority): enrolled at age 20 and remained a contributor throughout.

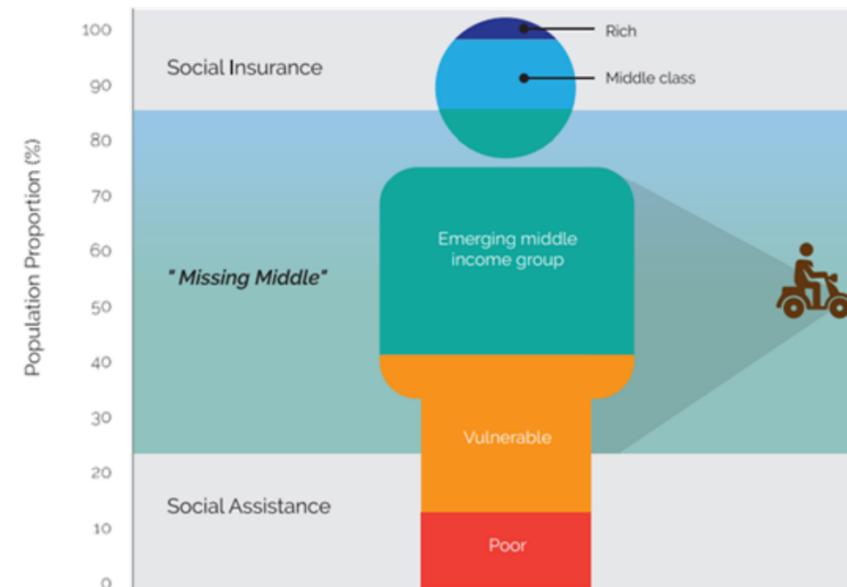
This demonstrates the importance of early enrollment and consistent contribution, even though such long-term participants remain a minority.

Demographic Condition of the Indonesian Population

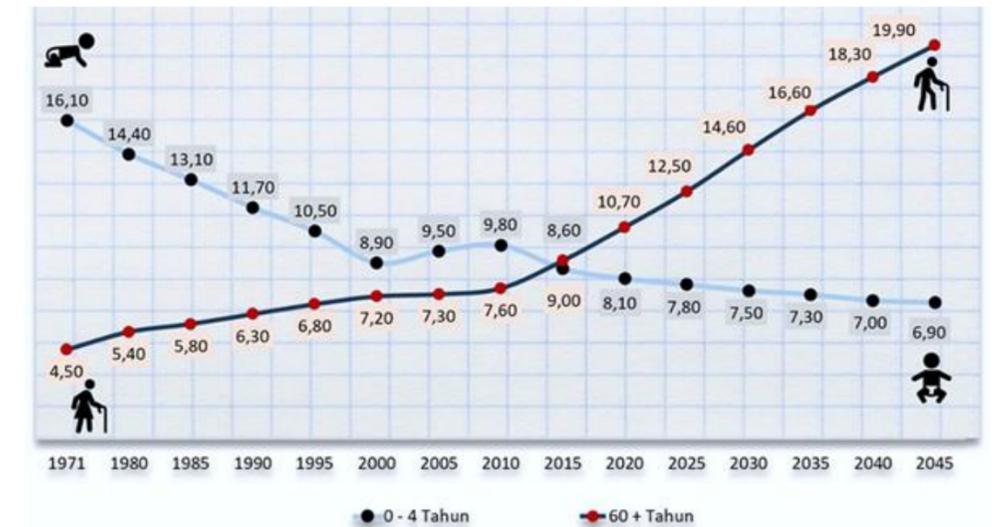


Note: --- Official BPS poverty line • IDR11.994 per person per day
Source: Susenas (March 2017)

In 2017, the highest poverty rate was found among **children** and people **over 70 years old**.



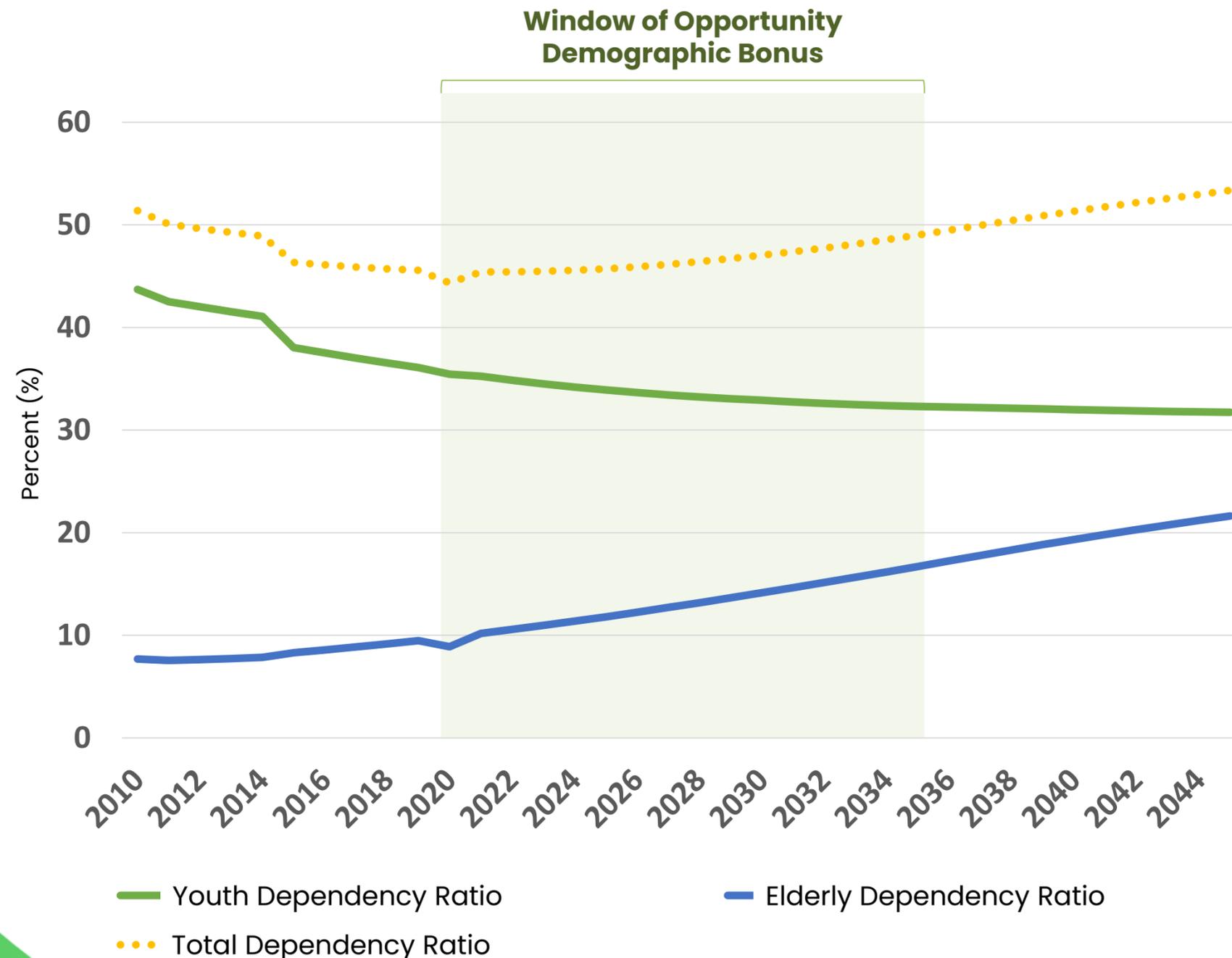
Social protection does not cover **middle-income individuals** who are vulnerable to shocks (**the “missing middle”**), except for health insurance.



Indonesia is experiencing an **aging population**.

In 2021, the elderly population reached **30 million people (10.82%)**. It is projected that by 2045, elderly people will make up **almost one-fifth** of Indonesia's population.

Window of Opportunity Demographic Bonus



Younger Generation Decreases, Elderly Generation Increases

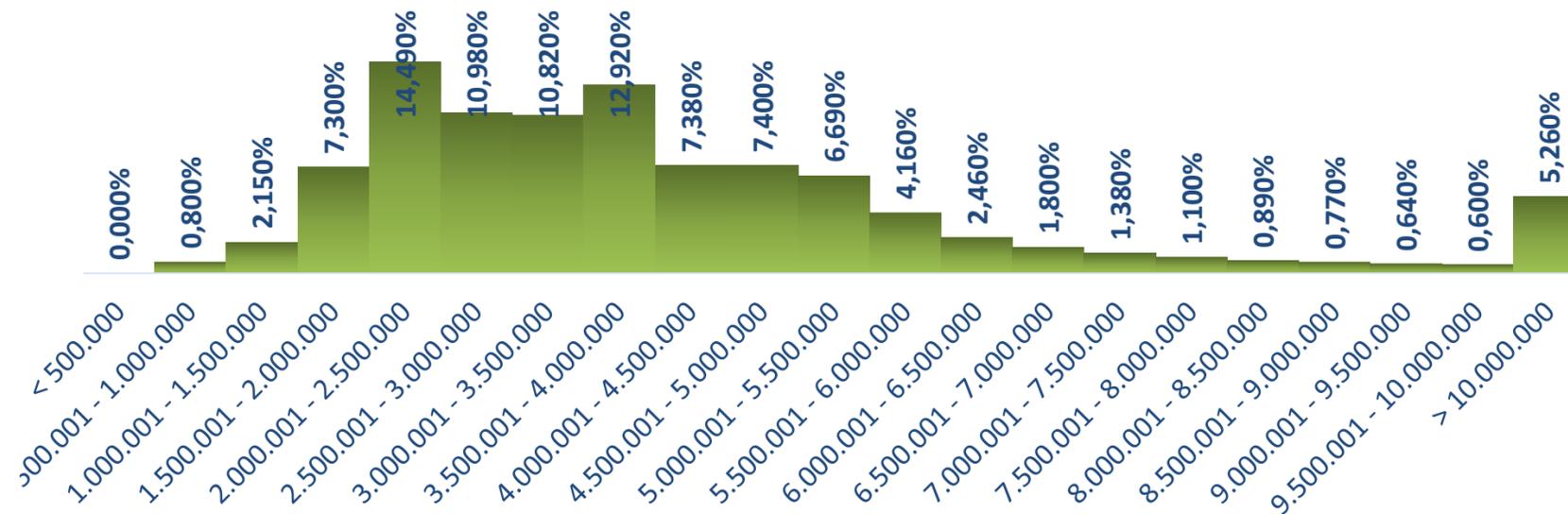
The youth dependency ratio continues to decline, while the elderly dependency ratio continues to rise, indicating a shift in the population burden structure.

The window of opportunity from the demographic bonus must be optimized.

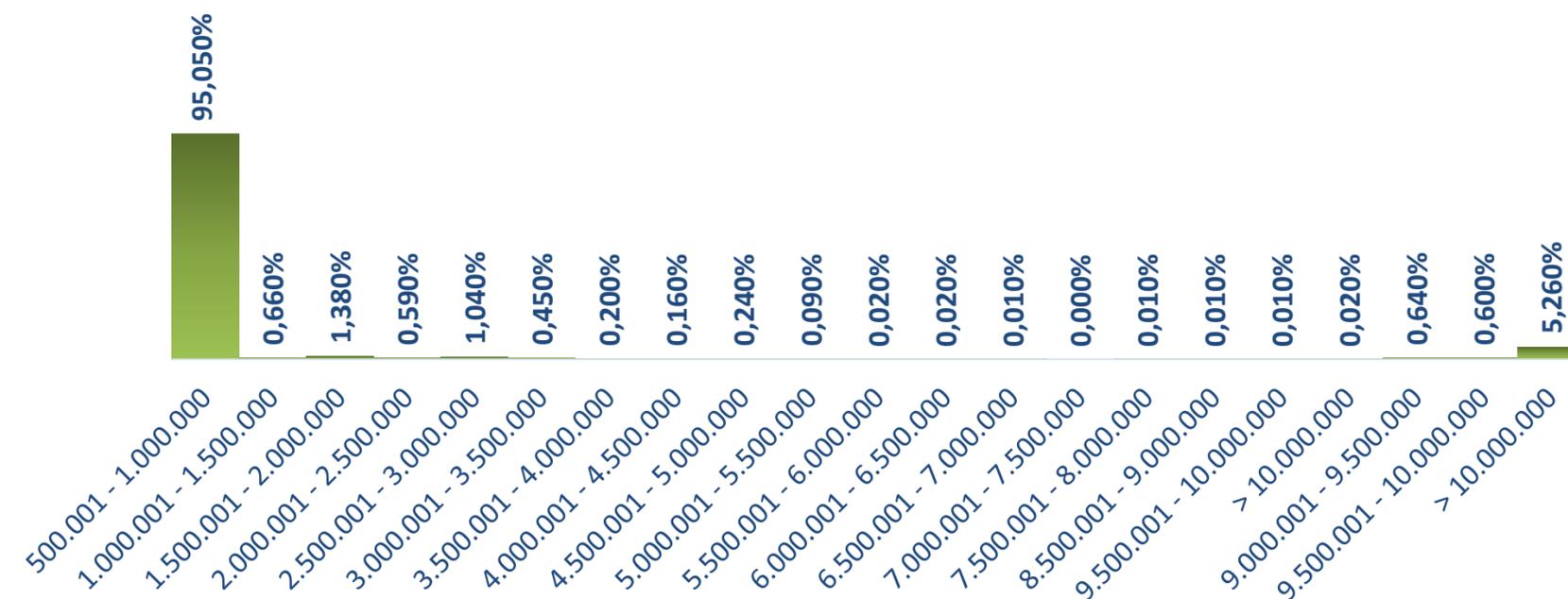
If not, the economic burden on future generations will become heavier due to the increasing elderly population.

Wage Distribution PU vs BPU

Wage Distribution of Wage-Recipient Segment (PU)



Wage Distribution of Non-Wage-Recipient Segment (BPU)



With the 2025 minimum JP benefit floor currently at Rp399,700, the corresponding minimum wage is Rp2.6 million. Wages below that level will receive subsidies from wages above.

Current Conditions

- **PU: ±25%** of participants earn less than Rp2.6 million → require subsidy to reach the minimum JP benefit.
- **BPU: >95%** of participants earn less than Rp1 million → almost all require subsidy.

Recomendation



Pension Reform (Urgent)

Increase the contribution rate (currently stagnant at 3%) to ensure benefit adequacy and long-term fund sustainability.



Improve Wage System as a Prerequisite for BPU Expansion

Expanding JP & JHT to informal workers is not feasible without accurate and fair wage reporting.



Optimize JHT as Long-Term Savings

Limit early withdrawals; encourage long-term participation starting from a young age.



Integrate JP and JHT as Complementary Schemes

Use JHT as a bridging income until JP pension age or as a top-up mechanism to enhance JP benefits.



“The true strength of a nation lies in how it protects its people, not only when they work, but especially when they no longer can.”

“Kekuatan sejati sebuah bangsa terletak pada caranya melindungi rakyat, bukan hanya saat mereka bekerja, tetapi terutama ketika mereka sudah tak lagi mampu bekerja.”

THANK YOU