

Social insurance and climate change in Indonesia

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▶ Projected Climate trends in Indonesia

- A consistent warming trend for all emission scenarios
- Precipitation trends are differential across the country
- Sea level rise is projected to submerge 2,000 of the country's smaller islands by 2050
- Climate change could magnify coastal flood risk by 19–37% by 2030
- Droughts will increase in frequency and severity, subsequently resulting in more forest fires

Climate hazards and potential labour market impacts

Hazard type	Potential impacts
Flooding, landslides	Affects agriculture, fishing and forestry sectors; loss of productive assets and work days, reduced incomes, increase in self-employment
Cyclones	Affects agriculture, hunting and fishing, wholesale, retail, restaurants and hotels, mining, and utilities; loss of income and increase of informality; positive impacts on construction sector
Droughts	Decline in agricultural productivity and wages, indirect impacts on other sectors like manufacturing in water intensive industries
Sea level rise	Resettlement and displacement costs, increased competition, labour shortages in agriculture, tourism, health care and service sectors, driving a rise in the wages,
Heatwaves	Reduction in economic output in wholesale, retail, restaurants and hotels, and other services; reduced productivity of workers

▶ Implications for workers in Indonesia

- ▶ By 2050, climate related deaths due to malnutrition and food insecurity will increase.
- ▶ Economic losses due to climate related hazards will accumulate due to : a) decline in productivity, b) increased costs for adaptation.
- ▶ The most climate vulnerable groups include the informally employed, small scale farmers and the poor (both rural and urban).
- ▶ Displacement and migration will become a prominent issue for the labour market.
- ▶ Eastern Java, Jakarta, Jawa Timur, Jawa Tengah and Jawa Barat are Indonesian provinces forecasted to incur high share of climate related costs from sea level rise, health and agricultural costs.

▶ What role can Social Protection (Social Insurance) play?

- Social assistance is mainly used for crises response, but often does not cover the growing middle class, which can be targeted by social insurance.
- Social insurance schemes like unemployment allowance are by nature ‘shock responsive,’ as they address life cycle related shocks and can be used for climate shocks as well
- Social protection schemes are primarily state owned and likely to be more sustainable in the long term.

▶ Which Social Insurance schemes can play a role?

Schemes in focus:

- the pension insurance scheme (Jaminan pension: JP)
- the employment injury insurance scheme (Jaminan Kecelakaan Kerja: JKK),
- the unemployment insurance scheme (Jaminan Kehilangan Pekerjaan: JKP),

► Has social insurance been used for crises response before?

- Argentina: Horizontal and Vertical expansion for floods/volcanic ash and landslides
- Jamaica: Vertical expansion for hurricane
- Fiji: Design tweak for tropical cyclone
- Philippines: Design tweak for typhoon
- And several Covid-19 experiences like Japan, Philippines, Belgium, Austria, Malaysia and Indonesia.

▶ Insights on using Social Insurance for crises

1. Adjustments and changes in qualifying conditions, benefit levels, duration, contribution rates varies from country to country, and depends on the legislative, institutional and financial capacity.
2. Ensuring business continuity with no disruptions to the routine provision of social insurance during climate related disasters is crucial.
3. Continued social security contributions even during disasters are necessary, with support in the form of subsidies from government, if and when employees/employers are unable to pay contributions due to the impacts from the event.
4. Reliable communication channels, online or in-kiosk application facilities, face to face contact points are some of the infrastructural requirements essential for ensuring speedy interventions.

▶ Insights on using Social Insurance for crises (contd.)

5. Declaration of a hazard at the presidential level is necessary in many countries to initiate social protection measures.
6. Subsidies by the government/ministry of labour/employment are often provided when using SI for crises. This can in the long run undermine the corpus required for the future, especially for pay-as-you go/redistributive systems.
7. Swiftiness of data processing is key in any disaster response to make transfer of funds from the government to the affected people significantly quicker.

▶ Entry points for Social Insurance in the ASP Roadmap

- Timeline still conducive to incorporate SI options into the ASP Roadmap
- Climate Resilience Development Policy (CRDP) 2020-2045 includes provision of micro insurance for fishermen, promoting fishermen cooperatives and financing schemes
- Insurances included by the Ministry of Agriculture and the Ministry of Marine Affairs and Fisheries as measures for adaptation
- Focus on development of early warnings, preparedness, anticipatory action and climate risk insurance
- The penetration rate for business insurance can be improved through conducive legal provisions

► Suggested options for using SI for climate risks in Indonesia

- Vertical expansions that provide one-time cash support for pensioners/unemployed or injured workers
- Expanding coverage: a) making JP mandatory for wage workers in small and medium enterprises, b) making JP voluntary for non-wage workers, 3) making JKP voluntary for non-wage workers
- Relaxing eligibility criteria
- Adjusting duration

Suggested options for modifying SI schemes at the policy level

SI system level	SI system component	Social Insurance schemes (SI)			Potential for modification	Type of shock response
		Pension Insurance (JP)	Employment injury Insurance (JKK)	Unemployment Insurance (JKP)		
Policy	Legal and Policy Framework	Constitutionally recognised by Government Regulation no. 45/2015	Constitutionally recognised by Government Regulation no. 44 and 82/2019	Constitutionally recognised by Government Regulation no. 37/2021	Constitutional recognition of climate shocks as a serious risk for unemployment, injury and old age, and expanding protection to non-wage workers	Horizontal Expansion
	Governance and Coordination	Ministry of Manpower (policy) BPJS Employment (implementation)			Closer coordination with the National disaster Management Authority	Institutional reform
	Financing	Contributions from employer (2%) and employee (1%)	Contributions from employers ranging between 0.1% to 1.6%	Contributions by the government (0.22%) and by the employer (0.24%)	Contribution Waiver and reschedule/flexible timings	Design Tweak

Suggested options for modifying SI schemes at the programme design level

SI system level	SI system component	Social Insurance schemes (SI)			Potential for modification	Type of shock response
		Pension Insurance (JP)	Employment injury Insurance (JKK)	Unemployment Insurance (JKP)		
Programme design	Benefits	Rp. 363,300 – 4,357,900 in 2022 (Rp. 300,000 - Rp. 3,600,000 per month in 2015, and indexed with inflation every year)	100% of wage (first 12 months), 50% wage after 12 months Healthcare benefits Return to work programme	45% of last reported salary for first 3 months, 25% for next 3 months Career counselling, training	Top-ups Climate-risk focused labour market policies	Vertical expansion
	Eligibility criteria	Eligible after 15 years of contribution, after reaching 57 years of age	Employment injury incurred before, during, after work or during work commute.	Involuntary termination Contributions for 12 months out of last 24 months, including 6 consecutive months.	Relaxation of eligibility criteria	Design tweak
	Maximum duration	Benefits until death, or until marriage/employment in case of survivors	Benefits until recovery	6 months	Extension of maximum duration	Design tweak

Suggested options for modifying SI schemes at the programme design level

SI system level	SI system component	Social Insurance schemes (SI)			Potential for modification	Type of shock response
		Pension Insurance (JP)	Employment injury Insurance (JKK)	Unemployment Insurance (JKP)		
Implementation and Delivery	Information System	BPJS Employment database			Collaborate with climate information databases, the socio-economic register & BNPB to identify workers in high risk areas	Piggybacking
	Registration	Mandatory registration by employers. Employees can also enrol themselves	Mandatory registration by employees	Automatic registration for employees already enrolled with BPJS	Flexibility in registration timings	Design tweak
	Provision of payments	Online payments to bank accounts	Online payments to bank accounts	Online payments to bank accounts	Door to door payments for elderly/at risk groups	Design tweak
	Accountability, case management and M&E	Responsibility of BPJS Employment	Responsibility of BPJS Employment and Labour Inspector	Responsibility of BPJS Employment	Relaxation of fines, coordinate with other agencies for accountability and M&E during climate shocks	Design tweak, Piggybacking

 **THANK YOU**