

# Tripartite round table on pension trends and reforms

## Overall assessment of the pension system

### Indonesia (Workers)

#### 1. Achievement of ILO core principles:

a) Based on your assessment of the pension system in your country, what are the core principles in ILO standards that you believe the pension system fully or mostly achieves? Please explain.

Indonesia universal coverage for pension system to all workers just introduced in the year of 2015, prior to that pension only mandatory for public servants, military and police personnels. Means, for a long time mandatory pension security only benefited to few workers namely: Number of public services employee are: 4,374,000 persons (2016); military 800,000; Police 443,000 personnels. While there are hundreds millions workers unprotected. But after 2015 when Indonesia introduced mayor reform on social security, all workers entitled to pension security, and according to road map in the year of 2029, all workers will united to single institution. So, public servants, military and police who where separated in different social pension institutions will merge to private workers pension security called BPJS Ketenagakerjaan. The main purpose for this merge is to strengthen its financial benefit, to dismiss discriminatory both amount and benefits, and to simplify its operation and governance.

b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves? Please explain.

By law there is still gap that refrain workers being covered by pension security. For instance, the pension law is not mandatory to micro business entities under 5 workers, while almost 50% business entities are micro business. Means there will be millions (even half of total workers) will not eligible to pension protection.

Other things, since the pension law just introduced in 2015, only small portion of workers will get monthly pension benefit when they get retired in 2030. Because they will not able to be pension contributory till 15 years as law required to get monthly pension. They will only entitle to get pension lump sum when get retired in the age of 60 years old.

The pension age today is 57 years and will review every 2 years till reach 60 years age. The problem is Indonesia will ending demography bonus in 2030, which create potential social economic problem when many old people being support by smaller portion of active population.

Another gap is about replacement rate (RR) which is difficult to reach 40% from last income, take into account only 15,9% RR which able to reach. Despite many efforts has been done and plan Indonesia scenario for RR in the future only reach 30% with a condition that pension dues will increase from 3% to 8% and pension age change to be 60 years old.

#### 2. What is your overall assessment of your country's pension system?

Overall Indonesia pension system still lacking in design and implementation which caused difficult to fulfill of core principles of ILO standard. But in political will government put serious

efforts to look for a good model of pension system that suitable for Indonesia which majority of the worker are informal workers, and 4,5 millions are migrant workers

### **3. What could be done to strengthen the pension system**

There is big opportunity for Indonesia to improve their pension system since Indonesia economically speaking is remain growing which can be seen from its constant GDP growing, income growing, narrowing income gini ratio. Despite being worse in pandemic era. The most important thing that need to do is simply the social security system. First, need to have an unify measure on pension system. Today pension, old age system and severance pay run simultaneously with different institutions and overlapping benefits. Old age system dues is 5,7%/month, pension 3% and severance pay approx. 5-7%. All are mandatory which paid monthly base, the latter paid when workers has dismissed. The severance pay system majority is not comply. There a suggestion to unite all these three schemes in order to strengthen its impacts to pension workers. Without unifying this system it is sure that workers will never enjoy ILO core principles in term of replacement rate 40%, universal coverage, (adequacy, affordability and sustainability).

Besides that Indonesia need to study more about the limit of pension age from 60 to 65 years old to cope with future situation of Indonesia age workers. While need to look for a model contributory and non-contributory system to finance informal workers that have no financial mean to pay regular dues