Social Security Reform in Indonesia

Agus Susanto
President Director

Date: September 2016
Indonesia Snapshot

Total Population: 255 mio
Total Employee: 127 mio
Total Labor Union: 7,294
Total Union Federation: 108
Indonesia Snapshot

Economic Growth: 4.8%
Inflation: 4.2%
Unemployment Rate: 6.18%
Poverty Rate: 10.86%

Macroeconomic Data Source: BPS – Statistics Indonesia, 2015
National Development Planning Data Sources: Coordinating Ministry of Economy and Industry
Although the trend of poverty declined, statistics showed 28.28 million people in Indonesia are still living below the poverty line.

Sources: TNP2K, 2014
2008-2015 GDP index trend **increase** significantly, on the other hand, in 2014–2015 slightly **decreasing**.

2008-2015 GINI index trend **increase**.

A high **discrepancy** between upper class and low class.
Demographic overviews and projection indicate the total potential number of social security coverage and should be well managed to achieve financial sustainability.
Total **120.6 mio** workers

Formal
**50.3 mio** workers
(42%)

Informal
**70.3 mio** workers
(58%)

Source: Laporan Bulanan Data Sosial Ekonomi, Badan Pusat Statistik Indonesia, 2015
**Workforce Outlook**

**Formal Workers Based on Education**

- **Total Formal Workers:** 42,382,148

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uneducated</td>
<td>342,908</td>
</tr>
<tr>
<td>Not yet finish primary school</td>
<td>2,262,733</td>
</tr>
<tr>
<td>Primary School</td>
<td>6,669,114</td>
</tr>
<tr>
<td>Junior High School</td>
<td>7,023,654</td>
</tr>
<tr>
<td>Senior High School</td>
<td>9,947,931</td>
</tr>
<tr>
<td>Vocational School</td>
<td>6,734,883</td>
</tr>
<tr>
<td>Diploma</td>
<td>2,316,739</td>
</tr>
<tr>
<td>University</td>
<td>7,084,186</td>
</tr>
</tbody>
</table>

- **77.82%** of formal workers have an education below bachelor degree.
- **50.58%** of them are senior high school graduates.

Employer in ASEAN stated that **senior high school graduates do not have a sufficient capacity** to work in a company.

*Survey of ASEAN employers on skills and competitiveness, 2013*

*ILO Asia Pacific*

Sources: BPS 2015
Primary school graduates **dominate** the informal workers for about **26.28%**

Sources: BPS 2015
Productive age workers dominate the Indonesia workforce.
Economic growth is essential but not sufficient to eradicate poverty

(Ernst and Berg, ILO)

Economic and capital market growth should be adjusted with real sector growth, through:

- **Social Investment:** Health and Education
- **Policy and Good Governance**
- **Work Opportunity**
- **Empowerment:** Social Assistance PNPM, SME
SOCIAL SECURITY REFORM

BPJS Ketenagakerjaan
Indonesia’s Constitution 1945

Article 34 act 2:
“The state provides social security system for all citizens and empowers the people who are weak and incapable in accordance with human dignity”

Law 3/1992, Employee Social Security

Article 3 act 2:
“Every worker has the right to have employee social security protection”

Law 40/2004, National Social Security System

Article 2:
“National Security System is delivered based on principles of humanitarian, benefit and social justice for all the people of Indonesia”

Article 18:
“Social security programs includes health benefit, occupational accident benefit, provident fund, pension benefit and death benefit”

Law 24/2011, Social Security Administering Body

Article 5 act 1:
“The establishment of social security administering body”

Article 5 act 2:
The social security administering bodies are:
1. BPJS Kesehatan (BPJS Health)
2. BPJS Ketenagakerjaan (BPJS employment)
Protection for all workers in Indonesia (120.65 Million workers)

Health protection for all citizens of Indonesia (255 Million Citizens)

Indonesia’s Social Security Administering Body
(Law no. 24/2011)
Social Security Organizations in Indonesia

**Public Organization**
- BPJS Ketenagakerjaan (Employment) 19,94 mio members
- BPJS Kesehatan (Health) 156,79 mio members

**SOE**
- Taspen 1,18 mio members
- ASABRI 4,40 mio members

**Insurance Company**
- General Insurance 76 companies
- Life Insurance 40 companies

**Pension Fund**
- Pension Institution 260 institutions

No later than 2029 BPJS Ketenagakerjaan, BPJS Kesehatan, Taspen, ASABRI will be merged
BPJS Ketenagakerjaan
(Social Security Administering Body for Employment)

Vision:
To be a **national pride** social security organization, **trusted, well governed**, and excel in operational and services.

<table>
<thead>
<tr>
<th>Legal Basis</th>
<th>: Law No. 40/2004 and Law No. 24/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>: Public Entity</td>
</tr>
<tr>
<td>Type of Organization</td>
<td>: Social Security Institution</td>
</tr>
<tr>
<td>Direct Reported to</td>
<td>: The President of the Republic of Indonesia</td>
</tr>
</tbody>
</table>
| Mandate           | : To provide basic protection for all workers:  
|                   | - Old-Age Benefits                     |
|                   | - Employment Injury Benefits           |
|                   | - Death Benefits                       |
|                   | - Pensions Benefits                    |
| Coverage          | : All workers both of formal and informal. 
|                   | - Total memberships = 19.96 mio        |
| Branch Office     | : 335 Offices Nationwide               |
| Nett Assets       | : IDR 234 Trillion                     |

Resources: BPJS Ketenagakerjaan, June 2016
Interaction of Members & Member Candidates with BPJS Ketenagakerjaan through e-Services

1. **e-Registration**
   - Register
   - Options: SP, BPJSTK Website, branches, PPOB, PTSP, Smart kiosk

2. **e-Payment**
   - Pay
   - Options: Virtual Account, Internet based services, banks

3. **e-Claim**
   - Members’ Data Reporting
   - Claim services

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Members and Member Candidates of BPJS Ketenagakerjaan Programs
Coverage

Formal Workers
- Enterprise
- Medium
- Small
- Micro
- Construction Workers (Jakons)

Informal Workers
- Employers
- Self-Employed
- Others

Indonesian Migrant Workers
Not yet covered, still discussing with Government

<table>
<thead>
<tr>
<th>Investment Instruments</th>
<th>Maximum Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Deposit, Government Bonds, Treasury Bonds</td>
<td>100% of Total Investment Fund</td>
</tr>
<tr>
<td>Corporate Bonds, Equity, Mutual Fund, Municipal Bonds</td>
<td>50% of Total Investment Fund</td>
</tr>
<tr>
<td>Asset-Backed Security (KIK EBA), Real Estate Investment Trust (REITS)</td>
<td>20% of Total Investment Fund</td>
</tr>
<tr>
<td>Repurchase Agreement (REPO), Direct Investment</td>
<td>5% of Total Investment Fund</td>
</tr>
<tr>
<td>Property</td>
<td>10% of Total Investment Fund</td>
</tr>
</tbody>
</table>
BPJS Ketenagakerjaan

PROGRAM AND BENEFIT
Employment Injury Insurance

BPJS Ketenagakerjaan

EMPLOYMENT INJURY
BENEFIT
(Act 44/2015)

Formal Workers
(including Foreign Worker)

Contribution
0.24% - 1.74% (depends on the business risks)

Benefit
a. Unlimited medical treatment
b. Allowance and compensation of Rp 12,000,000 maximum 23 years old
c. Scholarship for child (maximum 23 years old) for members who die or get permanent total disabled.

InFormal Workers

Contribution
Nominal amount as calculated in table
THE CYCLE OF RETURN TO WORK PROGRAM

Integrated Benefit of:
Promotion, Prevention, Compensation, Medical treatment, Rehabilitation, Scholarship for the children and “return to work”
**DEATH BENEFIT**

**FORMAL WORKERS (INCLUDING FOREIGN WORKERS) CONTRIBUTION**
0.3% from monthly reported wage

**INFORMAL WORKERS CONTRIBUTION**
Informal workers: Rp. 6,800,-

**BENEFIT**

a. Total Compensation (funeral + allowance) Rp 24,000,000 (twenty four million IDR).

b. Scholarship for the children, for the amount Rp 12,000,000 (twelve million IDR).
**Old Age Benefit**

**Formal Workers (including Foreign Worker)**

**Contribution**
Contribution rate 5.7% (3.7% from employer, and 2% from employee)

**InFormal Workers**

**Contribution**
Nominal amount as calculated in table

**Benefit**

a. Accumulated contribution with investment return.
b. A member with minimum of 10 years membership may withdraw:
   • 10% of his/her accumulated fund or
   • 30% of his/her accumulated funds for housing purpose.
c. Funds can be disbursed one month participation after participants laid off declared permanently disabled, or go abroad forever.

**Eligibility**

A member may withdraw all old-age fund when:
1. Resign or terminated from the job.
2. Permanently disable.
3. Permanently move overseas.
Pension Benefit
BPJS Ketenagakerjaan

PENSION PROGRAM

PENSION AGE IS 56 YEARS OLD

FORMAL WORKERS (including FOREIGN WORKERS)

CONTRIBUTION
3 %
2 % from the employer and 1 % from the employee.

Benefit
a. Define benefit
b. Normal Retirement
   formula = 1% x contribution period x weighted average wage during
   contribution period (minimum 15 years contribution)
c. Disable pension: 100% x formula
d. Survivor pension: 50% x formula
e. Children pension: 50% x formula
f. Parent pension for single and unmarried workers: 20% x formula

Total Benefit
Minimum: Rp. 300,000
Maximum: Rp. 3,600,000

Eligibility
Death benefits will be paid to the heir in the situation of the member passed away during the active period (the 6 months protection program is no longer valid).
Pension Benefit
BPJS Ketenagakerjaan

PENSION PROGRAM
(Act 45/2015)

ELIGIBILITY

Monthly benefit payment, requirements:
- Having 15 years contribution period
- Permanently disabled
- Passed away

Lumpsum payment:
- 15 years less of contribution (contribution balance + return)
- Passed away with at least one year membership and has 80% density rate.
- Becomes total permanent disabled with density rate less than 80%
- Move overseas permanently
MEMBERSHIP
AND PENSION PROGRAM
Indonesia Workforce

Formal Workers: 50.3 mio (42%)
Informal Workers: 70.3 mio (58%)

Total Indonesia Workers: 120.65 mio

BPJS Ketenagakerjaan Participants: 19.6 mio

Sources: BPS 2016, July

Image source: http://www.freestockphotos.name/wallpaper-original/wallpapers/people-walking-in-city-206.jpg
### Social Security Membership

BPJS Ketenagakerjaan Membership

<table>
<thead>
<tr>
<th>No</th>
<th>Classification</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employer</td>
<td>477,537</td>
</tr>
<tr>
<td>2</td>
<td>Formal Workers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Work Injury Program</td>
<td>14,057,192</td>
</tr>
<tr>
<td></td>
<td>b. Death Benefit Program</td>
<td>14,057,192</td>
</tr>
<tr>
<td></td>
<td>c. Provident Fund Program</td>
<td>13,413,901</td>
</tr>
<tr>
<td></td>
<td>d. Pension Program</td>
<td>8,191,113</td>
</tr>
<tr>
<td></td>
<td>e. Construction Labor</td>
<td>5,166,866</td>
</tr>
<tr>
<td></td>
<td><strong>Total Formal Workers</strong></td>
<td><strong>19,224,058</strong></td>
</tr>
<tr>
<td>3</td>
<td>Informal Workers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Work Injury Program</td>
<td>416,789</td>
</tr>
<tr>
<td></td>
<td>b. Death Benefit Program</td>
<td>416,793</td>
</tr>
<tr>
<td></td>
<td>c. Provident Fund Program</td>
<td>47,651</td>
</tr>
<tr>
<td></td>
<td><strong>Total Informal Workers</strong></td>
<td><strong>416,793</strong></td>
</tr>
<tr>
<td></td>
<td>Total Social Security Coverage</td>
<td><strong>19,640,847</strong></td>
</tr>
</tbody>
</table>

BPJS Ketenagakerjaan has set up the goals to expand social security membership.
Pension Benefit Program

Members

Contribution Rate

2% Employers
1% Workers

Claim

IDR 46.18 billion

Accumulated Contribution

8.191.113 mio

Case

5.649 Case

1.09%
Pension Benefit Program Financing Projection

<table>
<thead>
<tr>
<th>Years</th>
<th>% Pension program cost (PAYG) - non index</th>
<th>General Average Premium - non index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.05%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>0.34%</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>0.78%</td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td>1.51%</td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td>3.09%</td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td>3.74%</td>
<td></td>
</tr>
<tr>
<td>2045</td>
<td>5.34%</td>
<td></td>
</tr>
<tr>
<td>2050</td>
<td>6.97%</td>
<td></td>
</tr>
<tr>
<td>2055</td>
<td>9.07%</td>
<td></td>
</tr>
<tr>
<td>2060</td>
<td>12.93%</td>
<td></td>
</tr>
<tr>
<td>2065</td>
<td>16.49%</td>
<td></td>
</tr>
<tr>
<td>2070</td>
<td>20.87%</td>
<td></td>
</tr>
<tr>
<td>2075</td>
<td>24.14%</td>
<td></td>
</tr>
<tr>
<td>2080</td>
<td>24.96%</td>
<td></td>
</tr>
<tr>
<td>2085</td>
<td>31.93%</td>
<td></td>
</tr>
<tr>
<td>2090</td>
<td>32.54%</td>
<td></td>
</tr>
<tr>
<td>2095</td>
<td>37.87%</td>
<td></td>
</tr>
</tbody>
</table>

* The result of Pension Program simulation may vary based on model and assumption.
Financial Sustainability Comparison

A Simulation

Pension Benefit Program Fund Reserve

* The calculation method is based on pension parameter. (pension age, contribution rate, salary ceiling, salary floor, and pension benefit) regularly.
* A contribution which employed with an initial rate will be adjusted accordingly in triennium basis, starts from 2019 for about 0.3% in triennium.
* The result of Pension Program simulation may vary based on model and assumption.
Resilience Fund

Defined Benefits

Current Premium 3%

Resilience to Finance 2083

How to keep it sustained?

1. Massive expansion to reach a large participants (The more participants means the more premium collected).
2. Enforcing the law to employer as a result of strong legal basis.
3. Encouraging unemployed people to be integrated into workplace.
4. Review the amount of contribution periodically, for instance adjusting 0.3% every triennium based on the research.
5. Redesigning the pension scheme and benefits by considering Intergenerational Fairness and Equity:
   - Demographic Structure
   - Number of young participant that is still productive
   - Number of participant towards retired.
## Pension Programs across Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Classification</th>
<th>Benefit Factor</th>
<th>TPP Conversion (30 years contribution)</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Workers</td>
<td>Employer</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Defined Benefit</td>
<td>1,00%</td>
<td>30,00%</td>
<td>1,00%</td>
</tr>
<tr>
<td>Austria</td>
<td>Defined Benefit</td>
<td>1,73%</td>
<td>51,90%</td>
<td>10,25%</td>
</tr>
<tr>
<td>Belgia</td>
<td>Defined Benefit</td>
<td>1,33%</td>
<td>39,90%</td>
<td>7,50%</td>
</tr>
<tr>
<td>Kanada</td>
<td>Defined Benefit</td>
<td>0,64%</td>
<td>19,20%</td>
<td>4,95%</td>
</tr>
<tr>
<td>Finlandia</td>
<td>Defined Benefit</td>
<td>1,50%</td>
<td>45,00%</td>
<td>7,05%</td>
</tr>
<tr>
<td>Perancis</td>
<td>Defined Benefit</td>
<td>1,16%/0,51%</td>
<td>43,80%/15,30%</td>
<td>6,80%</td>
</tr>
<tr>
<td>Jerman</td>
<td>POIN</td>
<td>0,97%</td>
<td>29,10%</td>
<td>9,50%</td>
</tr>
<tr>
<td>Yunani</td>
<td>Defined Benefit</td>
<td>0,8-1,5%</td>
<td>24,00%-45,00%</td>
<td>6,67%</td>
</tr>
<tr>
<td>Italia</td>
<td>NDC</td>
<td>1,46%</td>
<td>43,80%</td>
<td>9,19%</td>
</tr>
<tr>
<td>Jepang</td>
<td>Defined Benefit</td>
<td>0,55%</td>
<td>16,50%</td>
<td>8,74%</td>
</tr>
<tr>
<td>Korea</td>
<td>Defined Benefit</td>
<td>0,87%</td>
<td>26,10%</td>
<td>4,50%</td>
</tr>
<tr>
<td>Belanda</td>
<td>Defined Benefit</td>
<td>1,85%</td>
<td>55,50%</td>
<td>4,90%</td>
</tr>
<tr>
<td>Norwegia</td>
<td>NDC</td>
<td>0,94%</td>
<td>28,20%</td>
<td>8,20%</td>
</tr>
<tr>
<td>Polonia</td>
<td>NDC</td>
<td>0,91%</td>
<td>27,30%</td>
<td>9,76%</td>
</tr>
<tr>
<td>Portugal</td>
<td>Defined Benefit</td>
<td>2,00%-2,30%</td>
<td>60,00% - 69,00%</td>
<td>6,40%</td>
</tr>
<tr>
<td>Spanyol</td>
<td>Defined Benefit</td>
<td>1,82%</td>
<td>54,60%</td>
<td>4,70%</td>
</tr>
<tr>
<td>Svedia</td>
<td>NDC</td>
<td>0,95%</td>
<td>28,50%</td>
<td>7,00%</td>
</tr>
<tr>
<td>Turki</td>
<td>Defined Benefit</td>
<td>1,68%</td>
<td>50,40%</td>
<td>9,00%</td>
</tr>
<tr>
<td>Inggris</td>
<td>Defined Benefit</td>
<td>N/A</td>
<td>N/A</td>
<td>9,05%</td>
</tr>
<tr>
<td>Amerika</td>
<td>Defined Benefit</td>
<td>0,75%</td>
<td>22,50%</td>
<td>6,20%</td>
</tr>
</tbody>
</table>

BPJS KETENAGAKERJAAN ROLE TOWARDS SDG’S
Social security play a **vital role** on the **SDG’s** through achieving **universal coverage**.
Social Security role on SDG’s
No Poverty Strategy

- SME Loan (KUR)
- No Poverty
- Additional Benefit
- Expansion to Vulnerable Workers (GN Lingkaran)
- Community Empowerment
- Ultimate Goal Expansion Social Security Coverage (Universal Coverage)
<table>
<thead>
<tr>
<th>Social Security role on SDG’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Poverty Strategy</td>
</tr>
</tbody>
</table>

### SME Loan (KUR)
- BPJSTK member (target market)
- Partnership with the bank
- Low rate credit to empower small medium enterprises

### Community Empowerment
- Disability
- E-commerce
- BPJSTK Ambassador

### BPJSTK Additional Benefit
- Food benefit
- Housing benefit
- Outdoor Free Wi-Fi

### Expansion to the Vulnerable Workers (GN Lingkaran)
- Expansion to vulnerable workers through crowd funding from mutual cooperation and togetherness.
- Coverage expansion for the vulnerable informal workers through CSR Fund, Donation
- Digitalize donation scheme, donator appoint Vulnerable workers directly
A movement to mobilize nation solidarity that addressed to assist social security membership contribution against Non-Salaried Workers through donation.

How to donate?

Donations are given directly by Donors through electronic systems developed by BPJS Ketenagakerjaan.

- The donor is encouraged to choose the beneficiary voluntarily.
- The donations are temporary. The workers are expected to continue the membership contribution by themselves in the future.

Allocated for three programs as follows:
- Provident Fund
- Employment Injury
- Death Benefits

Resources of funds:
1. Government institution
2. Private institution - Corporate Social Responsibility (CSR)
3. Religious Organization
4. Community Donations
5. Individual Donations
6. Employers

Recipients / Beneficiary:
1. Vulnerable Informal Workers
2. Domestic workers
3. Certain Community Groups

The target:
- Government institution
- Private institution - Corporate Social Responsibility (CSR)
- Religious Organization
- Community Donations
- Individual Donations
- Employers
Social Security role on SDG’s
Decent Work Strategy

01. Social Security Curriculum

02. Vocational Training
   Empowering unemployment and disable.

03. Law Enforcement
   Public Administration Sanction
   Work Injury Promotion and Prevention

04. Return to Work
   Empowering productive age workers

05. Support for Government
   Investment allocation on Government Bond and Sukuk

06. Strengthening Social Security capacity
   Empowering unemployed and disable.

07. Migrant Workers
   Strengthening Social Security capacity
Thank You