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# Session 3

## *Social Security*

# Learning Objectives

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- 1. List the main features of the national social security system**
- 2. Recognize the most common forms of informal employment at national level**
- 3. Identify factors that influence labour market outcomes for young workers**

# What is social security?



**Maternity**

**Families with  
children**



**Sickness**

**Invalidity**



**Unemployment**

**Death of the  
breadwinner**



**Work injury**

**Old age**



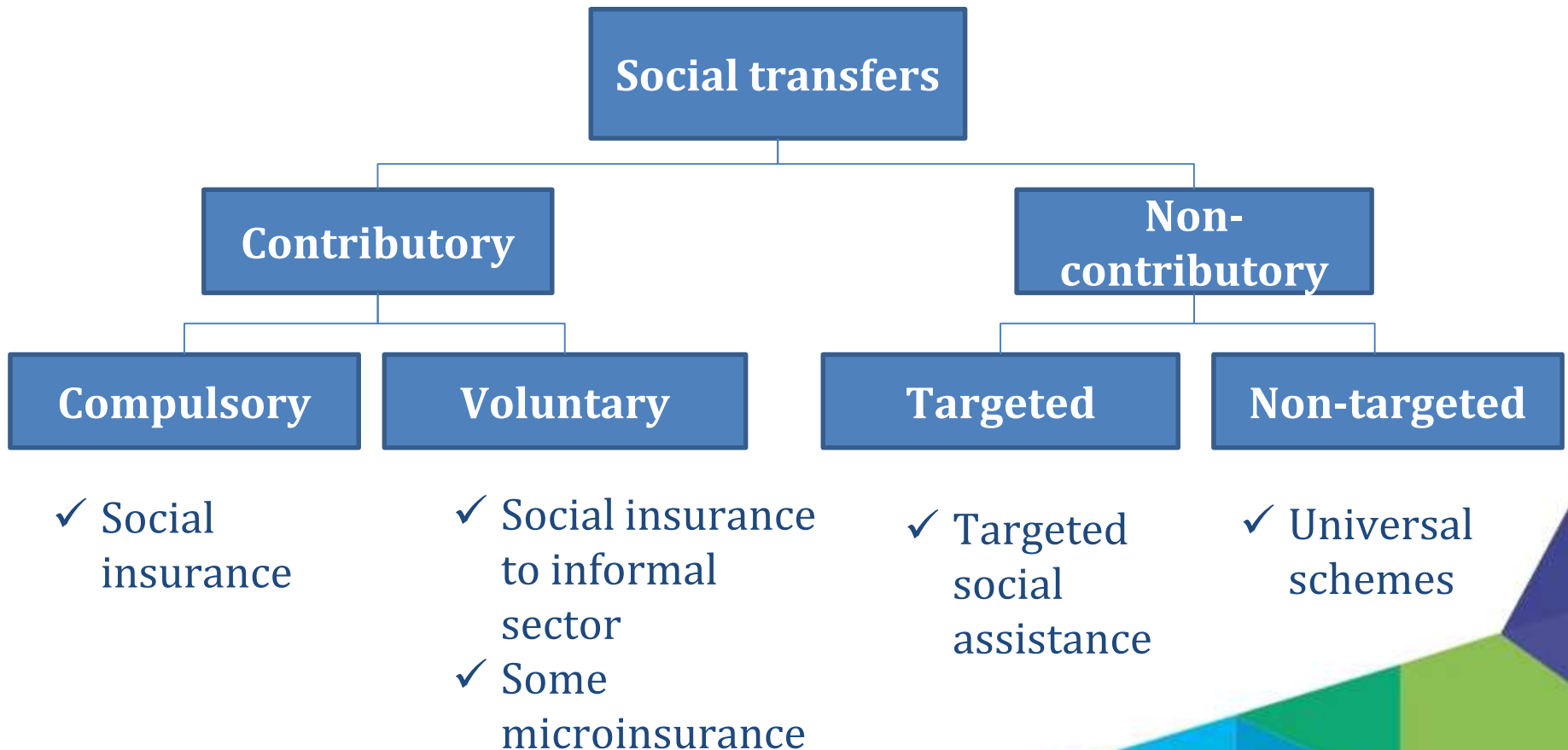
**Medical care**

**Life-  
cycle**



# Types of social transfers

**All social security benefits represent social transfers (cash or in kind)**



# Indonesia – Sistem Jaminan Sosial Nasional



- UU 40/2004
- UU 24/2011
- PP 44/2015
- PP 45/2015
- PP 46/2015
- PP 109/2013

# Activity: Life scenario: Hoping for the best, preparing for the future

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- 2 teams
- Each team reads the story of Rose and develops 2 scenarios: 1/ Optimistic (all goes well) and 2/ Pessimistic (all goes wrong)
- Each team explores the advantages and disadvantages of participating in the insurance system



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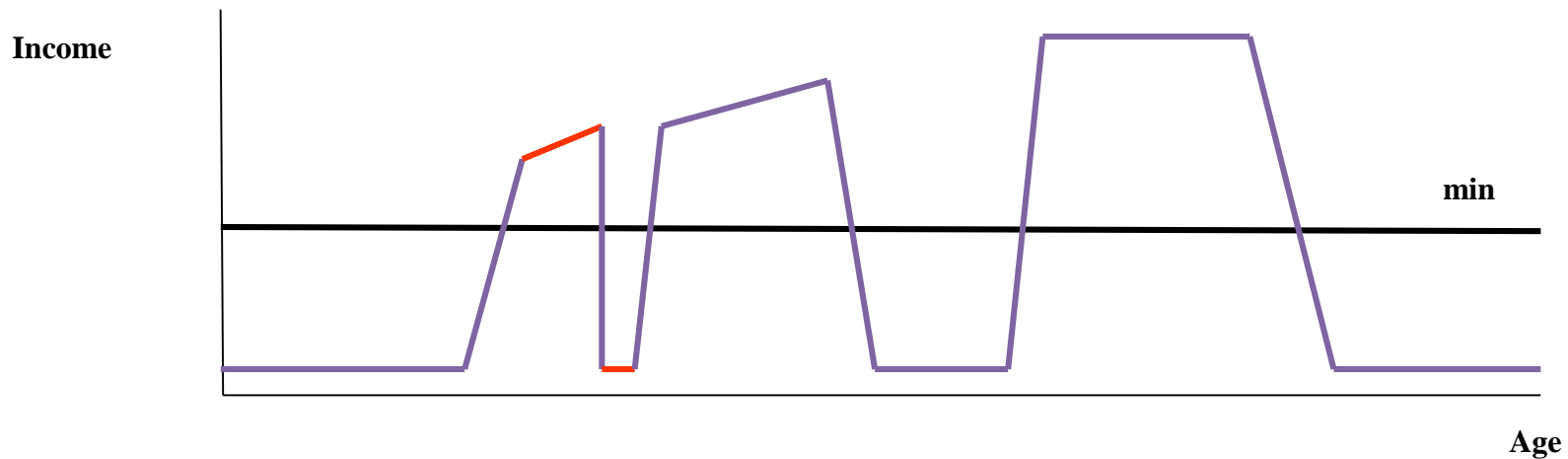
# Social Protection





# (i) Consumption Smoothing

- transfer consumption from higher income moments to lower income moments
- choose a better time path of consumption over active and non active periods



Source: <http://www.protectyournestegginretirement.com/retirecalc/>





## (ii) Insurance

Support  
individuals and  
businesses

To live better in a world  
dominated by uncertainties

When will someone get sick?

When will my employee get pregnant?

How long will I live after retirement?

How will the economy perform?

What will be the inflation?



## (iii) Redistribution

Within the  
same  
generation

- Formulas can provide low earners with a higher percentage of their previous earning
- Subsidize the consumption from who is less well-off but not necessarily poor

Between  
generations

- Promoting a transfer from the future to the current generation
- By setting a lower contribution rate in the early stages
- Expecting that future generations will have higher wages due to economic growth and productivity increases



## (iii) Poverty relief

Transfers

For those who do not have the capacity to earn enough resources

# Potential Economic Impact

- ❑ Increases consumption
- ❑ Promotes domestic demand
- ❑ Creates market for businesses
- ❑ Automatic Stabilizer
- ❑ Reducing vulnerability to external shocks
- ❑ Economic transformation



# Economic Impact? What more?

- ❑ **Allows people and businesses to take more risks**
  - Key to increase profits and returns
  - Related with economic transformation
  
- ❑ **Motivational impacts**
  - **Workers feeling safer / more protected feel more motivated**, enhancing **workers productivity and business profits**

# SP is an investment Human **K** development

- International data shows
  - Higher use of health services
    - Improved health status (physical and psychological) and **less absenteeism**
  - Better nutritional status
  - Higher school attendance
  - Higher educational results
  
- All this lead to **HIGHER PRODUCTIVITY – key for competitiveness**





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**DECENT WORK**

A better world starts here.

# Thank you

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# ILO's norms for implementing the right to SS

C 118 Equality of Treatment (Social Security) Convention, 1962

C 157 Maintenance of Social Security Rights Convention, 1982

**C.102 Social Security (Minimum Standards) Convention, 1952**

R67 Income Security Recommendation,  
1944

R69 Medical Care  
Recommendation, 1944

C 19  
Equality of  
Treatment  
(Accident  
Compensation),  
1925

C 121  
Employment  
Injury Benefits  
Convention,  
1964

C 128  
Invalidity,  
Old-Age and  
Survivors'  
Benefits  
Convention,  
1967

C 130  
Medical Care  
and Sickness  
Benefits  
Convention,  
1969

C 168  
Employment  
Promotion and  
Protection  
against  
Unemployment  
Convention,  
1988

C 183  
Maternity  
Protection  
Convention, 2000

**R. 202 Social Protection Floors Recommendation, 2012 (No. 202)**



# Convention No. 102

- ❑ Regroups the nine classical social security contingencies into a **single comprehensive and legally binding instrument**.
- ❑ Serves as a **benchmark and reference**
- ❑ Sets out principles that guide the **design, financing, governance and monitoring** of national social security systems

# Guiding international principles

Overall and Primary  
Responsibility of the State

Universality

Adequacy

Sustainability

Diversity of methods and approaches

Entitlement to  
benefit by law

Predictability

Transparent and  
accountable  
management

Coordination across public policies and institutions

Solidarity  
through  
collective  
financing

Social inclusion

Inclusive  
participation

Progressive realization

# What is Social Security?

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**Social Security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of breadwinner.**



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# Main elements of Social Security Systems

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- Social insurance
- Social assistance
- Benefits from general revenues
- Family benefits
- National provident funds

## Social Security Convention, 1952

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**Convention 102 indicates minimum requirements as to coverage of the population; content and level of benefits; and protection of the rights of contributors and beneficiaries.**

**In 2012, the International Labour Conference adopted the Social Protection Floors Recommendation (No. 202) which prioritizes the establishment of national floors of social protection accessible to all**



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# Social Security benefits

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- Medical care
- Sickness Benefit
- Maternity Benefit
- Unemployment benefit
- Employment injury benefit
- Invalidity benefit
- Old-age benefits

## Discussion Points

□ What are the general characteristics of the social security framework in your country?

Do you think the framework itself is adequate to provide basic social protection for workers?

What is the level of participation amongst the workforce?

Can you suggest any improvements that could be made to render social security better and more effective?

## Discussion Points

- ❑ In what ways does social security contribute to economic and social progress in the country?
- ❑ What social insurance issues do you think are the most important for young workers, and why?
- ❑ What are some of the characteristics of the informal economy in your country? How might informal economy workers be able to move towards formal employment, and therefore have better access to social security?



## Discussion Points

Do you have any plans as to how you will live, once you have retired?

How much money do you think it will take and where do you expect that money to come from?

What measures do you anticipate taking to ensure that you are able to live in a decent manner after retirement?