

Indonesia

Employment injury insurance and
protection:

ILO principles,
International Instruments,
Best Practices, and
Roadmap for a System Review

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State of Employment Injury Insurance and Protection around the world in 2017

Based on ILO global statistics, WSPR 2014-15

COMPREHENSIVE ILO COUNTRY LEVEL INTERVENTIONS FOR

- COMPENSATION
- PREVENTION
- COMPLIANCE

1. National Legal Environment

OSH, Workers Compensation, Labour Protection and Inspection

2. Labour Market and Social Security Institutions

OSH
Management
System

Social
Security
EII
Institution

Enforcement
& Compliance
Management
System
Labour
Inspection
Child Labour

Tripartite
Review
Mechanism

COLLECTIVE BARGAINING PLATFORM

3. Work Place Compliance and Support

Garments – Large Ent.

Cotton

Public emergency services

Garments- SMEs

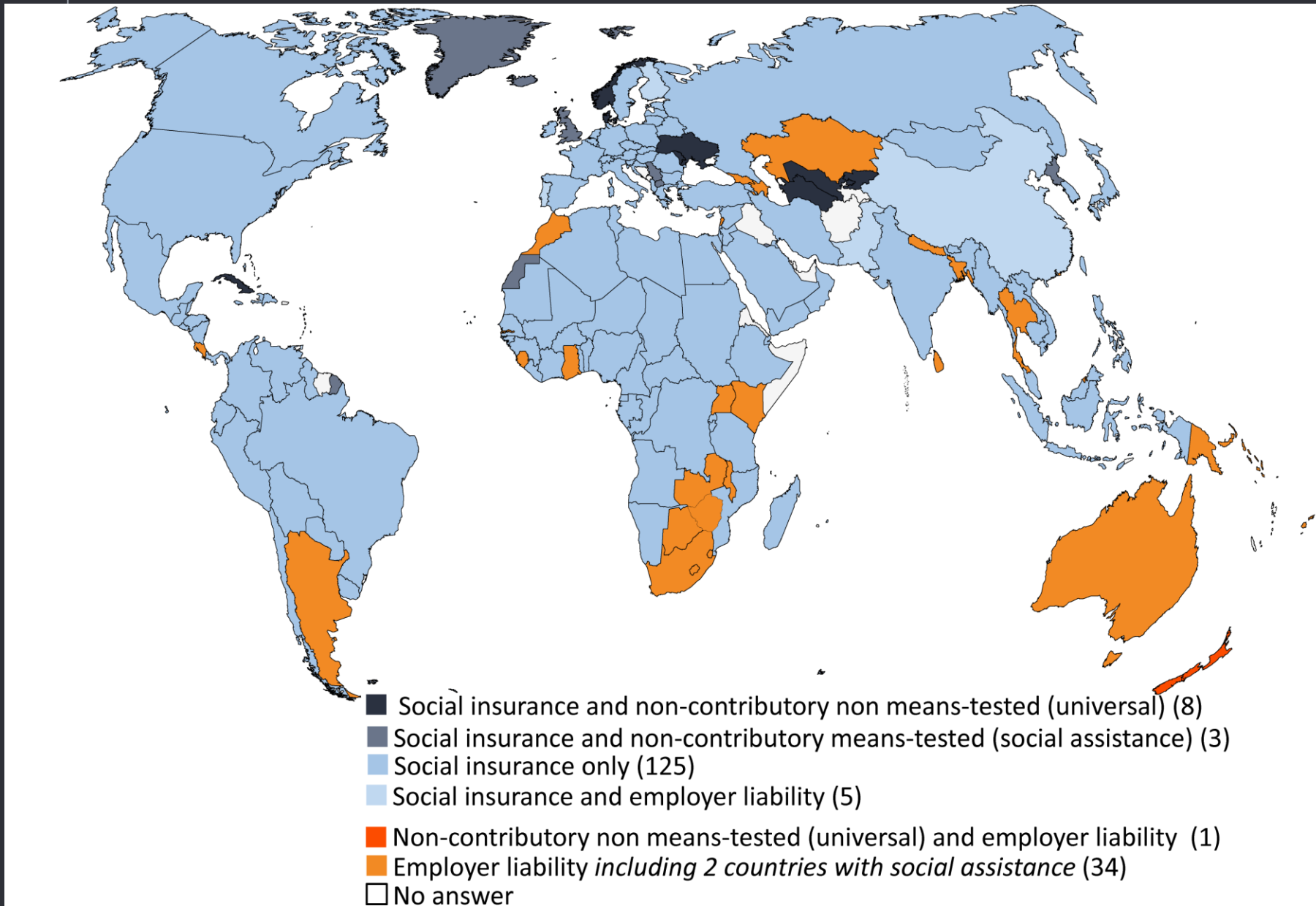
AGRO-FOOD

OTHER SECTORS

CONSTRUCTION

MINING, FORESTRY

Different approaches to provide Social Protection to Workers in Case of Injury at Work



125 countries with laws for workers' compensation based on social insurance principles, cf. C.121, C.102

→ Representing only 34% of the global labour force is covered “by law” by mandatory EII

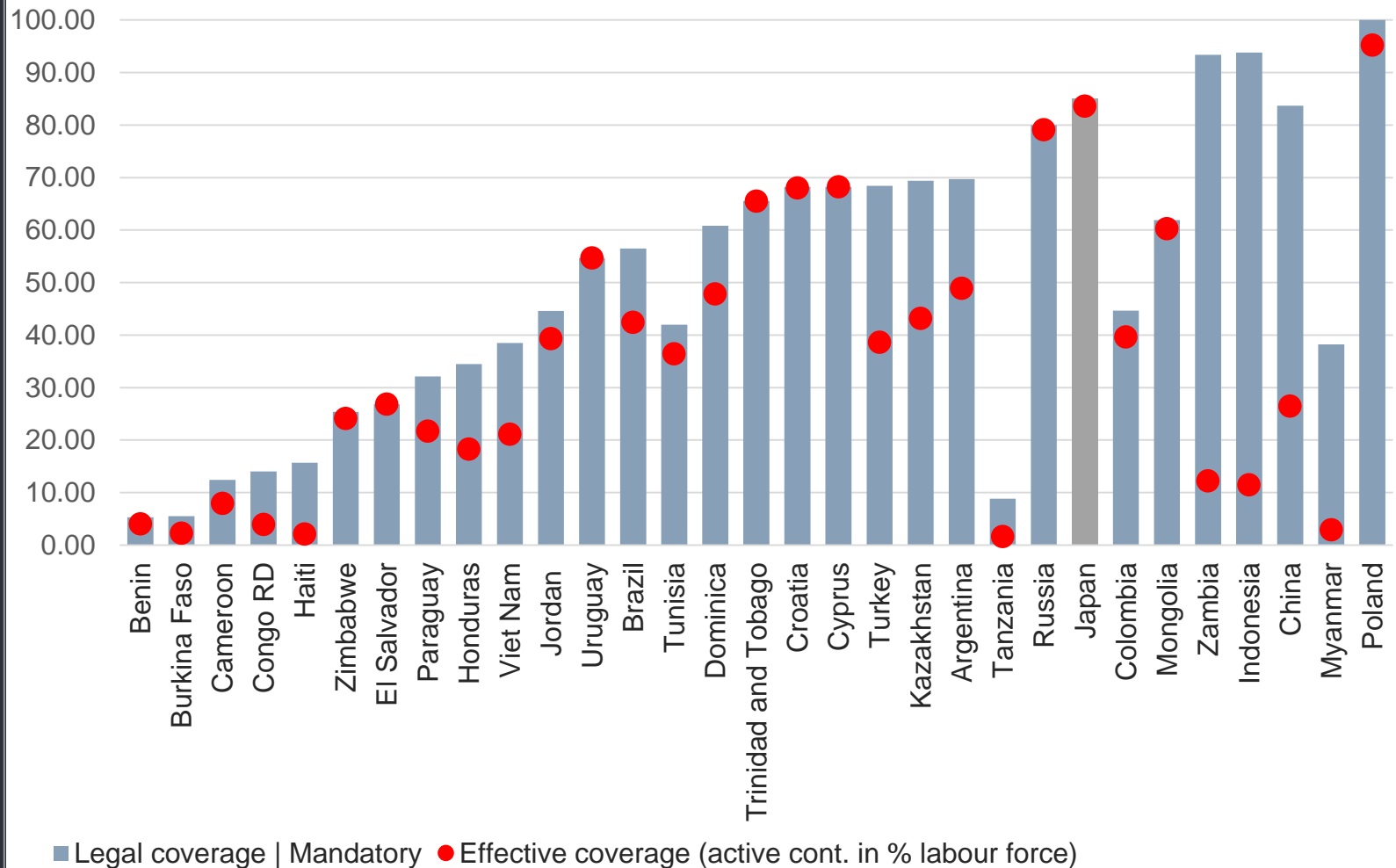
36 countries still rely on direct employer-liability only (2017)

→ Extremely low enforcement

→ Trend towards national EII

Actual “effective” access to employment injury protection is observed to be even lower but difficult to exactly measure

Great variation in the effective Coverage of EII in Selected Countries



Sources: ILO and national data.

Low coverage of EII schemes in selected countries of Asia

Country	<i>Data available year</i>	<i>Number of workers covered by EII (millions)</i>	<i>Effective EII Coverage rate (% of labour force)</i>
Cambodia	<i>2009</i>	<i>0.3</i>	<i>4 %</i>
China	<i>2008</i>	<i>137.9</i>	<i>18 %</i>
India	<i>2008</i>	<i>12.1</i>	<i>3 %</i>
Indonesia	<i>2009</i>	<i>29.0</i>	<i>27 %</i>
Lao PDR	<i>2009</i>	<i>0.005</i>	<i>2 %</i>
Mongolia	<i>2008</i>	<i>2.3</i>	<i>43 %</i>
Malaysia	<i>2007</i>	<i>5.5</i>	<i>49 %</i>
Philippines	<i>2007</i>	<i>9.1</i>	<i>26 %</i>
Thailand	<i>2007</i>	<i>7.9</i>	<i>21 %</i>
Vietnam	<i>2007</i>	<i>8.3</i>	<i>18 %</i>

Low Cost of EII in Selected Countries of Asia

Country	Average Contribution Rate <i>(% of wages)</i>	How are contribution rates set? <i>(Uniform for all employers / Industry-based / Merit-based for good records)</i>
China	0.90%	Industry-wise + Merit rate
Indonesia	0.24 to 1.74 %	Rates for five industrial groups
Korea	1.78% (average)	Industry-wise + Merit rate
Lao PDR	0.50%	Uniform rate
Malaysia	1.25%	Uniform rate
Mongolia	1.0% to 3.0%	Industry rate mostly
Philippines	1.0%	Uniform rate
Thailand	0.2 to 1.0%	Industry-wise + Merit rate
Viet Nam	1.0%	Uniform rate

Reasons for rampant low effective coverage in developing countries

- Large informal economy
- Vast majority of enterprise workers are mostly in SME's with high turnover and little capacity for investing into workers' safety and health and social protection in case of work injury
- Weak enforcement of legislation, where it exists
 - A workplace declaring 300 employed workers to EII in Pakistan 1200 third-party workers remain undeclared*
 - 1'500 workers paid by the piece and operating outside of the factory premises*
 - Widespread problem of non-nominative declaration of workers by enterprises*
- Low trust into social security – benefits too low
- Affordability of EII in competitive markets – 1% of wages; namely when bundled with other social security contingencies

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ILO Instruments and International Reference

Global ILO Initiatives of relevance

ILO Instruments

C.102 Social Security (Minimum Standards) Convention, *Part VI on Workers' Compensation*

C.121, R.121 Employment Injury Benefits Convention

C.130, R.134 Medical Care and Sickness Benefits

R.202 Social Protection Floors Recommendation, 2012

- Universal coverage across life cycle (working-age)
- Adequate compensation benefits

East and South-East Asia and the Pacific

	social security							OSH				
	12	17	18	42	102	121	TOTAL	155	P155	161	187	TOTAL
Brunei Darussalam							0					0
Cambodia							0					0
China							0	x				1
Cook Islands							0					0
Fiji	x						1	x				1
Indonesia							0				x	1
Kiribati							0					0
Korea, Republic of							0	x			x	2
Lao's PDR							0					0
Malaysia - Peninsular	x	x					2				x	1
Malaysia - Sarawak	x						1					0
Marshall Islands							0					0
Mongolia							0	x				1
Palau							0					0
Papua New Guinea	x		x	x			3					0
Philippines		x					1					0
Samoa							0					0
Singapore	x						1				x	1
Solomon Islands	x			x			2					0
Thailand							0				x	1
Timor Leste							0					0
Tuvalu							0					0
Vanuatu							0					0
Viet Nam							0	x			x	2
TOTAL	6	2	1	2	0	0		5	0	0	6	

C012 - Workmen's Compensation (Agriculture) Convention, 1921 (No. 12)

C017 - Workmen's Compensation (Accidents) Convention, 1925 (No. 17)

C018 - Workmen's Compensation (Occupational Diseases) Convention, 1925 (No. 18)

C042 - Workmen's Compensation (Occupational Diseases) Convention (Revised), 1934 (No. 42)

C102 - Social Security (Minimum Standards) Convention, 1952 (No. 102)

C155 - Occupational Safety and Health Convention, 1981 (No. 155)

P155 - Protocol of 2002 to the Occupational Safety and Health Convention, 1981

C161 - Occupational Health Services Convention, 1985 (No. 161)

C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)

South Asia and Country Office for India

	social security							OSH				
	12	17	18	42	102	121	TOTAL	155	P155	161	187	TOTAL
Afghanistan							0					0
Bangladesh			x				1					0
India			x	x			2					0
Iran, Islamic Republic of							0					0
Maldives							0					0
Nepal							0					0
Pakistan			x				1					0
Sri Lanka			x				1					0
TOTAL	0	0	4	1	0	0		0	0	0	0	

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Getting ready for the Sustainable Development Goals by 2030

SDG 1.3

Coverage of Employed Workers for Work Injury

Is Indonesia getting ready ?

ILO Multinational (MNE) Declaration

Paragraph 43 (rev., 2017)

Governments should ensure that both multinational and national enterprises provide adequate safety and health standards and contribute to a preventative safety and health culture in enterprises progressively achieving a safe and healthy working environment. This would include steps to combat workplace violence against women and men and attention to building safety. The relevant international labour standards, including the list of occupational diseases, and the ILO codes of practice and guidelines in the current list of ILO publications on occupational safety and health, should also be taken into account.

[Workers'] Compensation should be provided to workers who have been victims of occupational accidents or diseases.

EII global developments

ILC 2016: Committee on Decent Work in Global Supply Chains

Some conclusions

- ✓ ...failures at all levels within global supply chains have contributed to decent work deficits for working conditions such as in the areas of occupational safety and health,...*
- ✓ Governments should strengthen labour administration and labour inspection systems in order to ensure full compliance with laws and regulations and access to appropriate and effective remedy and complaints mechanisms....*
- ✓ Employers' organizations should provide practical guidance to implement due diligence into operational management systems and build capacity thereon.*
- ✓ Workers' organizations should provide information and support to workers, in particular regarding the respect of workers' rights and improvements in working conditions.*

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Pro's and Con's of Employment Injury Insurance

There is a public interest in:

- Ensuring that the injured employee is compensated and receives appropriate compensation relative to their “loss”.
- Ensuring that enterprises are not bankrupted by injury claims.
- Ensuring injured workers receive appropriate medical treatment and rehabilitation so as to return to work.
- Ensuring that the cost of one employer’s accidents are not passed on to future employers (this years employers pay the cost of this years accidents)

Real Efficiencies Achieved

- universal risk pooling
- removing “fault determination” from the decision process
- expedited fact based administration of claims
- coordination with medical/rehabilitation services
- coordination with OHS enforcement regime

Four functional sub-systems to keep in mind before making decision

1. Cost and affordability
2. Contribution collection and compliance
3. Right of workers to access their benefits without stigma
4. Efficient delivery

How much money you need depends

- The frequency of injury/loss occurrence
- Your definitions of a “recoverable loss”
- What is a work place injury
- What is the extent of recovery for that loss

How much money you need depends; must make decisions around

- The scope of the Employer's responsibility:
 - Wage loss (is there a cap on wages protected)
 - Medical treatment (pre-existing conditions)
 - Rehabilitation (to what objective)
 - Responsibility to dependents
- Whether the agency able to earn income on those funds being held in order to offset the system costs.

2. Collect the money – must make decisions around:

- an employer registration system
- an agency with authority to assess and collect an employers “fair share of the cost”
- an agency that holds funds in trust for the payment of claims and exercises the highest degree of fiduciary responsibility

Adjudicate the claims – must make decisions around:

- an agency that can fairly and consistently assess the legitimacy of claims
- an agency that can make “Policy Decisions” for the direction of claims adjudicators (provide examples)
- a system to evaluate injury, assess degrees of impairment

Pay out the money :

An administrative agency that can earn the trust of injured workers

An administrative agency that can make payments in perpetuity

An administrative agency that can exercise the highest degree of fiduciary responsibility

Benefits package

1) Cash benefits to replace loss of income

For injured workers:

Temporary disability monthly benefit

Permanent disability monthly benefit

For dependents of deceased workers:

Survivors' benefits

Funeral grants

2) Health care for treatments

3) Rehabilitation of injured workers

Benefits Package

Examples of EIPR benefit amounts

- Temporary disability benefits (TDB)

$$= 60\% \times \text{Wage}$$

- Permanent disability benefits (PDB)

$$= 60\% \times \text{Disability \%} \times \text{Wage}$$

- Survivors benefits (up to 100% of PDB)

$$= 60\% \times 60\% \times \text{Wage} \rightarrow \text{Widow(er)}$$

$$= 20\% \times 60\% \times \text{Wage} \rightarrow \text{Each Child (max 2)}$$

- Funeral grants

$$\text{Fixed amount} = \text{Average funeral costs}$$

Benefits Package

Health care and rehabilitation

- In-kind health care for:
 - Medical treatment
 - Other health services
 - Physical Rehabilitation of injured workers

- A health care package:
 - Standard medical procedures
 - Fee schedules for reimbursing medical providers

Benefits Package

Social partners and the Government
will clarify Accidents and Diseases
covered and definitions relevant to RMG sector

- How to deal with commuting accidents between home and workplace?

- In principle, yes (for many countries)

- Cambodia (2014): 25% of total injuries

- 22% of minor injuries

- 57% of serious injuries

- 74% of fatal injuries

- Administratively complex

Sources of Financing

- Usually from the employers (principle of employers' responsibility)
- Workers could also be a possibility
- Government – Indirectly for some administrative costs

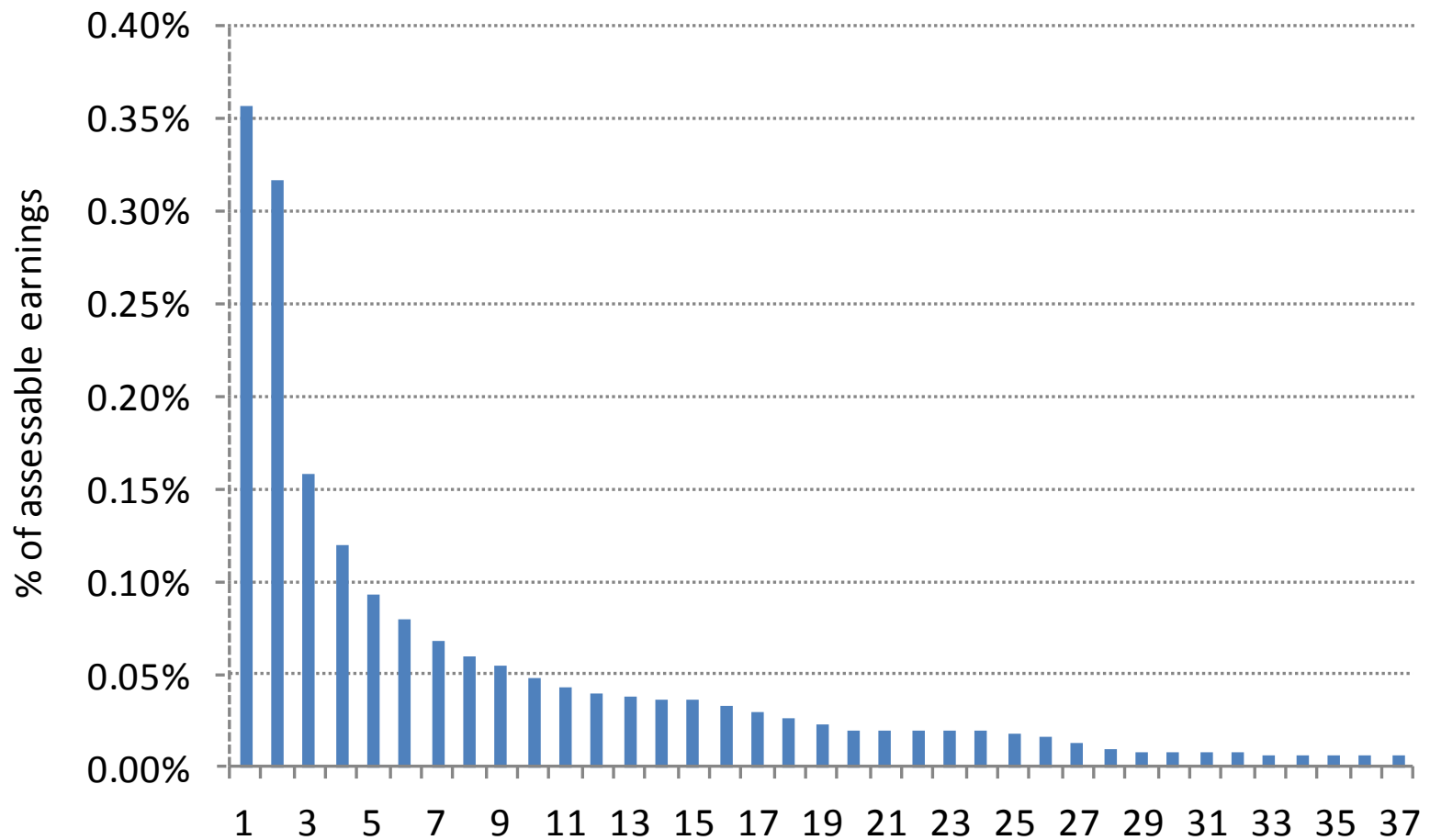
How is the contribution determined?

Cost of injuries & Admin. Expenses (estimated)

Total Insurable Wages

Pattern of payments

Illustration



Risk-related contribution rates

By industry

- Equity between sectors
- Balance between equity and complexity
- By employer
 - (possible for middle-size and large employers)
- Incentive to prevention
- Encourage employers' collaboration Rehabilitation for prompt and sustainable Return-to-Work
- Risks of no reporting / under reporting without proper inspection mechanism in place

A typical distribution of EII Expenditures

Type of benefits	Expenditures (% of total)
Temporary disability	11 %
Permanent partial disability	19 %
Permanent total disability	40 %
Survivors	7 %
Funeral grants	Less than 1 %
Health care and rehabilitation	11 - 12 %
<i>Administrative expenses</i>	<i>10 %</i>
Total	100 %



Evaluating and improving Indonesia JKK system

What elements for a RoadMap ?

KEY QUESTIONS TOWARDS EVIDENCE-BASED POLICY REVIEW

1) Is the current Workers' Compensation System up-to-date?

- Surveying the needs of workers and employers in representative local workplace situations
- Enterprises of large to small sizes
- Starting with larger economic sectors currently covered by EII social security

2) **Loss of Earnings** – Are lump sum benefits what is needed to replace the long-term effects of death/injury/disease on the affected workers and their households who depended on their work earnings ?

**LAW REFORM & POLICY
COHERENCE**

1. National Legal Environment

..., Workers Compensation, Labour Protection and Inspection

2. Labour Market and Social Security Institutions

**INSTITUTIONAL
STRENGTHENING**

OSH
ement

Social
Security
EII
Institution

Enforcement
& Compliance
Management
System
Labour
Inspection
Child Labour

Tripartite
Review
Mechanism

COLLECTIVE BARGAINING PLATFORM

**SECTOR & WORKPLACE
INTERVENTIONS**

Work Place Compliance and S

IMPACT MONITORING

Cotton

Public emergency services

Garments- SMEs

AGRO-FOOD

OTHER SECTORS

CONSTRUCTION

MINING, FORESTRY

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http://www.ilo.org/empent/whatsnew/WCMS_551667/lang--en/index.htm