Building social protection systems and protecting people

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1. Brief presentation of social security and social protection in Indonesia
## 1. Social Security & Protection

<table>
<thead>
<tr>
<th>All these programs started before the 2008 crisis</th>
<th>Access to health Care</th>
<th>(Employment injury) Death Old age benefit</th>
<th>Minimum income and other cash transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armed forces, police</td>
<td>Own hospitals</td>
<td>Asabri</td>
<td></td>
</tr>
<tr>
<td>Civil servants</td>
<td>Askes</td>
<td>Taspen</td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>Jamsostek</td>
<td></td>
<td>No unemployment benefits =&gt; informal economy absorbs laid off workers</td>
</tr>
<tr>
<td>Informal economy</td>
<td>Jamsostek pilot programme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Near poor</td>
<td>Jamkesmas</td>
<td></td>
<td>CCTs / UCT Rice for the poor Scholarships Community Empowerment program</td>
</tr>
<tr>
<td>Poor</td>
<td></td>
<td></td>
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<tr>
<td>Extreme poor</td>
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</tbody>
</table>

→ GAP

- 54% population
- 83% workers
1. Social Security & Protection

Health care coverage
% of total population

Old age, death, work injury (if any)
% of working population

Minimum income and other cash transfers reach a limited number of poor households (CCT program covers 0.4 million households in 2010)
2. Extension of social protection has two dimensions; it is feasible and affordable to provide at least a minimum level of social protection for all.
2. Two dimensions of extension

A strategy to extend social security may have 2 dimensions:

1. An **horizontal dimension**: The social protection floor or foundation = universal access to a minimum core content of social security (minimum income, basic social services and basic health care for all)

2. A **vertical dimension**: Higher levels of income security and access to higher quality health care through partial or fully contributory schemes.
2. Two dimensions of extension

This correspond to Indonesia’s social insurance schemes: Asabri, Askes, Taspen, Jamsostek …

The grey zone: how to extend social insurance to the informal economy and SMEs?

This correspond to Indonesia’s social assistance strategy:
Jamkesmas & CCTs to facilitate access to health care
Scholarships & CCTS to facilitate access to education
Provision of food security (Rice for the poor) and other basic social services
2. Extension is affordable

Evidence emerges that a minimum package of social security benefits is affordable in even the poorest countries (recent work by the ILO on the cost of a minimum package in sub-Saharan Africa, Asia and Latin America).

A SPF is possible from a financial and macro-economic point of view in every country (3 to 5 % of GDP). SP is rather a cost-effective investment in human capital.
2. Extension is feasible

Elements of the SPF already exist in 85 developing and middle income countries

- **Comprehensive SPF:** Brazil, Mexico, Chile, Uruguay
- **CCTs:** Brazil (Bolsa Familia), Mexico (Oportunidades)
- **Social pensions:** Brazil, South Africa, Bolivia (pension dignidad), Chile (pension basica solidaria), Thailand (500 Bath scheme), China (rural old age pension)...
- **Employment guarantee schemes:** India (NREGA), Uruguay (Política de empleo promovido), Argentina (Plan jefes y jefas de familias)
- **HEALTH:** China (urban & rural), India (RSBY), Thailand (UCS), Mexico (Seguro popular), Colombia (regimen subsidiado), Uruguay, Chile (plan AUGE), Burkina Faso, Rwanda...
3. In Indonesia, social security and social protection face many challenges ...
3. Main challenges identified

• Failure to implement National Social Security Law (SJSN)
• Necessary reform of Jamsostek
• Issues in the design and implementation of social assistance
• Extension of social security to informal economy workers
• Social protection and the crisis
Challenge #1: Failure to implement the National Social Security Law # 40, 2004 (1/3)

- The Law stipulates **9 core principles** that request profound modifications of existing social security schemes
  - (1) Mutual support; (2) Not for profit; (3) Transparency; (4) Prudence in the management of funds; (5) Accountability; (6) Portability; (7) Compulsory participation; (8&9) management of funds & returns on investments in the interest of the welfare of the participants

- Implementation of this Umbrella Law requires government and presidential **regulations** (deadline: 18 October 2009)

- Implementation also requires a **detailed agenda** for the organization of the National SS System, the development of stakeholders’ roles, the expansion of coverage & benefits
**In August 2010**

<table>
<thead>
<tr>
<th>Government regulation on <strong>social assistance</strong> for the poor and destitute &amp; … on the design of the scheme for <strong>work injury, death and old age benefits</strong></th>
<th><strong>IN PLACE</strong> (budget allocated every year from Min of Finance)</th>
</tr>
</thead>
</table>

**UNDER DISCUSSION**

<table>
<thead>
<tr>
<th>Government regulation on modification of the <strong>legal status</strong> of the SS schemes from Persero to a not-for-profit social security fund (trust fund) “Social security service providers”</th>
<th><strong>UNDER DISCUSSION:</strong> working committee of parliament; role of trade unions</th>
</tr>
</thead>
</table>

<table>
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<tr>
<th>Presidential regulation on the <strong>National Social Security Council</strong></th>
<th><strong>IN PLACE</strong></th>
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</thead>
</table>

<table>
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<tr>
<th>Presidential regulation on <strong>health insurance</strong> for all</th>
<th><strong>UNDER DISCUSSION:</strong> inter-ministrial committee</th>
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</thead>
</table>

New deadline = December 2010 ?!
### Challenge #1: Failure to implement the National Social Security Law # 40, 2004 (3/3)

**In August 2010 ...**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>National social security council</td>
<td><strong>ALREADY IN PLACE</strong></td>
</tr>
<tr>
<td>Legal basis for creation of SS bodies</td>
<td><strong>UNDER DISCUSSION</strong></td>
</tr>
<tr>
<td>Conversion of Askes, Asabri, Taspen and Jamsostek to new SS bodies</td>
<td><strong>NOT Started</strong></td>
</tr>
<tr>
<td>Training, capacity building &amp; “socialisation”</td>
<td><strong>ONGOING but insufficient</strong></td>
</tr>
<tr>
<td>SS information and management systems</td>
<td><strong>WB project (single ID)</strong></td>
</tr>
<tr>
<td>Design, strategy, plan for extension of coverage starting with health insurance for all</td>
<td><strong>1&lt;sup&gt;st&lt;/sup&gt; attempt (Jamsostek)</strong>&lt;br&gt;Study: GTZ and ILO</td>
</tr>
<tr>
<td>Implication of regions</td>
<td><strong>NOT Started</strong></td>
</tr>
<tr>
<td>Budgeting and coordination at central &amp; regional levels and between ministries and departments</td>
<td><strong>NOT Started</strong></td>
</tr>
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</table>
Challenge #2: Necessary reform of Jamsostek

In August 2010 ...

- Jamsostek is still not a “Trust Fund” (despite some modifications in the management of the fund)
- Inspection is carried out by labour inspectors → weak enforcement (only half of the eligible population is covered)
- HIV and AIDS treatments are not covered
- Jamsostek provides only a lump sum upon retirement (should be converted into a pension scheme that provides an adequate income for retired workers)
- No health insurance after retirement
- No portability of benefits; ID # linked to employer
Challenge #3: Issues in the design and implementation of social assistance

In August 2010 ...

- Jamkesmas (subsidized health “insurance”):
  - No actuarial study and no study on the sustainability of scheme
  - Lack of skills and management capacities
  - No negotiation power with health care supply (collusion)
  - Lack of empowerment & organization of the covered population (poor) who cannot claim for their rights
  - Poor availability and quality of HC supply in public facilities

- Social assistance: scattered and “incidental”
  - Depends on the good will of the present administration …

- Problem of governance (payment of poverty certificates) and mis-targeting
  - 2 systems: “scientific” (bureau of statistics / surveys every three years) & local government’s decision
Challenge #4: Extension of social security to informal economy workers (1/2)

In August 2010 ...

- Pilot project to expand Jamsostek to informal economy
  \( \rightarrow \) 400,000 people registered (after 4 years)

- Issues:
  - awareness of people is low
  - marketing strategy is not appropriate (from group to individual)
  - problem of availability and quality of health services
  - un-adapted payment patterns (monthly) leading to suspension of entitlement of benefits & feeling of poor “delivery”
  - higher operational costs than under group insurance
  - adverse selection (Ex: moto-taxis who have a high risk of accidents \( \rightarrow \) subscribe work-injury insurance)
  - delivery channels not efficient (through associations / cooperatives and “branches”) \( \rightarrow \) explore MFIs
Challenge #4: Extension of social security to informal economy workers (2/2)

- ILO conducted a survey in May 2009 among 2,068 labourers, self-employed workers and employers in the informal economy from four areas
  - 80% of the 2,068 informal workers have no social security
  - Social security priority needs: work injury (36%) and health (29%)
  - 80% willing to contribute financially on a regular basis
  - The preferred method of payment is monthly

- Some regions / districts are extending health insurance to not only the poor but also informal economy workers Jembrana, Bali (JKJ-Jembrana Health Insurance) using single identity number; Balikpapan (Jamkesda-Regional Health Insurance); and other 8 districts that make use of PT. Askes collectively to run PJKMU (Health Insurance Programme for General Population) implementing universal coverage with portability.
Challenge #5: Social security/protection and the crisis

In August 2010

• No unemployment benefits; laid off workers contributed to grow the rows of the informal economy
  – Number of informal economy workers increased by 2 million (from 61.26% of the workforce to 62.06% from Aug. 08 to Feb. 09)

• They are left with no social protection

• Present discussion on the “formalization of economy”
  – Social protection can be a way of formalizing self-employed workers (by registering them and requesting from them the payment of contributions based on an even minimal income)
4. National priorities in the field of SS/SP try to address these issues ...
4. National priorities in social protection: results of consultation

• In line with 2nd RPJM (2010-2014) “Decrease poverty incidence and unemployment rate through quality economic growth accompanied by improvement and progression of social protection institution”

• The key priorities are the following:
  • Strengthen existing Social security schemes
    – New SS status + conversion of existing schemes or merger
    – SS management & information systems (e.g. portability)
    – Increased transparency and accountability
    – Enhanced benefits (e.g. old age; HIV-AIDS … )
  • Extend social security (enforcement of existing schemes; extension to informal economy)
  • Reach universal health insurance (by 2014)
  • Empower the poor (not only social assistance)

• The implementation of this strategy is decentralized to the regions and local governments

- **Goal 1: Full implementation of the National Social Security Law # 40, 2004**
  - Lobbying towards house of representatives
  - Social dialogue on National Social Security System
  - Research on the feasibility and perception of National Social Security System

- **Goal 2: Public awareness on The 1952 ILO Convention # 102**
  - Sensitization Seminars
  - Joint ministerial decree to address the issue of decentralization regarding social security
  - Research on the feasibility of ratification of the 1952 ILO Convention # 102 on Social Security (Minimum standards)
5. The ILO can support the implementation of the national social protection strategy in Indonesia ... through policy work, piloting, capacity building and increasing coordination.
5. ILO’s future contribution to the implementation of SS/SP strategy (1/4)

1/ Policy work

• Support to the drafting of regulations
  – Comments on the draft documents
  – Technical support to trade unions’ committee in their technical work & advocacy efforts
  – Training and capacity building seminars (trade unions; members of parliament)
  – Facilitate consensus through discussions with Government, National SS council and Trade Union’s committee

• Assessment of SS legislations, decrees and practice; comparative analysis with the ILO Convention 102

• Costing exercise of SS/SP extension strategy and initiate a discussion on the fiscal space
5. ILO’s future contribution to the implementation of SS/SP strategy (2/4)

2/ Piloting

- Design and piloting of social security schemes for informal economy workers
  - Sharing of results of previous studies on capacity & willingness to pay (workshop, September 2010)
  - ILO-GTZ-Jamsostek feasibility study
  - Documentation & sharing of good practices in Indonesia and world-wide
  - At least two pilot projects in close collaboration with other ILO projects targeting informal economy workers (migrant, IPEC, microfinance, EAST)
5. ILO’s future contribution to the implementation of SS/SP strategy (3/4)

3/ Capacity building

• Capacity building, training, awareness raising
  • Capacity building of social partners by developing in partnership with ITC Turin a tailor made course
  • Increase participation of Indonesian stakeholders in ITC ILO courses on social protection and Masters’ program in Mauritius
  • GESS platform / pages and resources on Indonesia
  • Ad hoc training and workshops
5. ILO’s future contribution to the implementation of SS/SP strategy (4/4)

4/ Increasing coordination

- Increase coordination among stakeholders on the social protection floor and the extension of social security / protection
  - Establishment of a Social protection floor working group / team or platform of exchange and information
    - Ministries and Departments
    - Local governments
    - Workers and employers
    - UN agencies, world bank, ADB, GTZ, FES …
  - Joint conduct of a “Social protection floor inventory and assessment”