Covering the uncovered: Making Indonesian social security work
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Despite the fact that social protection is a recognized universal human right, 80 percent of the world's population is not yet covered by social security. Most of these people are engaged in "dirty and risky" jobs in the informal economy -- that is, employment other than for a legally recognized entity.

These workers also represent the majority of the workforce in many developing countries, including Indonesia.

The good news is that the implementation of Social Security System (SJSN) Law of 2004, which calls for universal social security coverage in both formal and informal economies in Indonesia, is finally about to be implemented. After many delays, it looks like significant changes may be put in place before the set deadline of 2009.

At present, only 46 percent of the 36 million workers employed in formal economy are covered by one of the three existing social security schemes (the main one of which is the Jamsostek scheme, the national social insurance fund for private sector employers and their employees). As such, the extension of universal coverage to informal workers appears, at first glance, "too good to be true".

Such pessimism stems partly from the complexity of the informal economy and the enormous budget required. Some skeptics are of the opinion that, due to the country's current economic situation, Indonesia simply cannot afford it.

However, the experience of several other countries has proved that there is no strong correlation between the social security coverage and social spending. This tends to indicate that a country's Gross Domestic Product (GDP) is less important in establishing universal social security than was once thought. Creating universal social security protection may only be a matter of political will.

Countries like Singapore which has relatively higher GDP per capita than U.S., has much lower social security expenditure comparing to the U.S. In contrary, Poland is in the same league as Uruguay, with very low income level in the world, but has a greater level of public expenditure for social security, even in comparison with the U.S.

Enacting a law to make social security accessible to informal sector workers is the right decision for Indonesia. An ILO survey of informal economy workers in Indonesia in 2003 confirmed that a significant portion of the workers need social protection.

The capacity to pay contributions to a social insurance scheme, however, was very low: Only 41 percent and 16 percent in urban and rural areas respectively. While a formal worker pays only 2 percent, an informal worker has to pay 6.3 percent to 9.3 percent for full insurance coverage. Such figures demonstrate the urgent need for the government to address the social protection of informal workers.

At this stage, Jamsostek has been nominated as a provider of social insurance programs for informal economy workers. Despite its slow progress in extending its programs to such workers, it has recently initiated several steps to comply with the SJSN law. This year, for example, Jamsostek will target 280,000 uncovered informal workers as new members -- triple that of last year.

Jamsostek is also establishing partnerships with the government and other state-owned enterprises, as well as providing advances taken from their Corporate Social Responsibility fund (CSR) to attract further prospective members from the informal sector. However, the absence of a significant number of strong umbrella organizations in the informal economy remains as an obstacles to allowing informal workers to enroll in the scheme.

The greatest challenge is actually making social insurance coverage for informal workers universally accessible. Some underlying problems that have to be addressed include the low and irregular income of most informal workers; the level and type of benefits that are not responsive to the needs and resources in the informal economy; a general lack of awareness of social insurance concepts; a distrust of government institutions; and the absence of good governance and administration.

Rather than establishing new institutions to focus exclusively on serving informal workers, the goal should be to ultimately convert informal sector employment to jobs in the formal sector.

In the meantime, coherent and comprehensive policies are required to in order to prioritize social insurance access for certain types of informal sector work. This will require feasibility studies and pilot projects to recruit new members from the informal sector. These could be financed through seed funding from the CSR fund.

The next level up is the capacity building of existing opportunities in the informal economy through entrepreneurship training programs. This would assist workers to remain employed and make regular contributions to their social insurance schemes.

Most importantly, in addition to public awareness rising of social security and training course program for administrator of social insurance provider, a robust strategic plan is needed to sustain the channeling of the CSR fund into improving the capacity of umbrella organizations in the formal sector, such as cooperatives.

It is hoped that these institutions will eventually be developed further into formal economy institutions. Through such formalization, the burden of informal workers in paying contributions will be reduced, as they will be able to share the dues with cooperatives as their employers.

Covering the uncovered workers in Indonesia's informal economy entails extending to 60 million workers their constitutional right to social protection. This number represents twice the number of formal sector workers and the vast majority of those working in insecure jobs and with the constant threat of falling below the poverty line. Apart from fulfilling their constitutional rights, such a feat will make a huge and concrete difference to their lives.

http://www.thejakartapost.com/news/2008/08/18/covering-uncovered-making-indonesian-social-security-work.html

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