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► Feasibility study on an unemployment insurance system for Indonesia

Institutional and operational aspects



ILO/Japan
Multi-bilateral
Programme



► **Feasibility study on an unemployment insurance system for Indonesia**

Institutional and operational aspects

John Carter, Ippei Tsuruga

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► Abbreviations and acronyms

ALMP	Active labor market policies
BLK	Government-run Training Sites
BPJS Ketenagakerjaan	Badan Penyelenggara Jaminan Sosial Ketenagakerjaan (National Social Security Association for Employment)
BPJS Kesehatan	Badan Penyelenggara Jaminan Sosial Kesehatan (National Social Security Association for Health)
DG Employment	Directorate General of Placement and Employment Opportunity Expansion
DG Training	Directorate General of Training and Productivity Development
EIBPAR	Employment Insurance Benefit Payment Accuracy Review
EIPAR	Employment Insurance Processing Accuracy Review
EI	employment insurance
E&IO	Employment and Insurance Officer (Canada)
IT	information technology
ISSA	International Social Security Association
JHT	old-age benefit (<i>Jaminan Hari Tua</i>)
JKK	employment injury benefit (<i>Jaminan Kecelakaan Kerja</i>)
JKM	death benefit (<i>Jaminan Kematian</i>)
JKP	unemployment benefit (<i>Jaminan Kehilangan Pekerjaan</i>)
JP	pension benefit (<i>Jaminan Pensiun</i>)
MOM	Ministry of Manpower
M&E	monitoring and evaluation
NIK	National Population Number
PES	public employment services

QMTE	Quality Monitoring and Training Expert
SISNAKER	Manpower Information System (Sistem Informasi Ketenagakerjaan)
UPT	Unit Pelaksana Teknis (Technical Implementing Units – Employment)

Executive summary

This feasibility report was prepared and submitted to the Government of Indonesia in 2020 to provide advice and guidance on the planning and implementation of an effective employment insurance (EI) scheme for Indonesia.¹

In February 2020, the Government of Indonesia submitted an Omnibus Law on Job Creation to the House. The draft law indicated that:

- Unemployment benefits (JKP) will be established and provided in line with social insurance principles (social security contributions shared by workers, employers, and so on);
- Unemployment benefits are linked to public employment services and re-skilling programmes as well as to existing schemes of income replacement;
- BPJS Ketenagakerjaan² will manage the unemployment benefit scheme; and
- Detailed design of the programme will be legislated by a separate government regulation.

On 5 October 2020, with the pandemic in full swing, lawmakers overwhelmingly voted to pass a stimulus bill that includes sweeping revisions to 79 laws in key sectors, including labour and taxation.

As a result, BPJS Ketenagakerjaan will be responsible for:

- Registration of employers for the collection of EI contributions;
- Collection of contributions by the employer, which are to be submitted to BPJS Ketenagakerjaan on behalf of both the employer and workers;
- Letter of Termination: Currently completed by the employer for the Ministry of Manpower, but will also need to be completed for BPJS Ketenagakerjaan in order to process EI claims for benefit;
- Receive applications for EI benefit: BPJS Ketenagakerjaan staff to receive and review these EI applications to ensure completeness of information;
- Process applications for EI benefit: review and assess EI applications in terms of eligibility requirements;
- Issue EI payments to those who meet the eligibility requirements or notify worker of reason for non-entitlement and appeal procedures;
- Continuous claims: while being paid EI benefits, the unemployed worker must be available and capable of accepting immediate employment and BPJS Ketenagakerjaan staff will make decisions on those who are in question concerning their availability and capability and those who refuse any suitable employment.

The Ministry of Manpower will be responsible for the following:

- The Social Security Directorate is to provide leadership to the EI benefit programme and could also be the focus of monitoring and evaluation exercises of the new JKP (employment insurance benefit) scheme.
- The Directorate General of Industrial Relations and Employment Social Protection has the mission of organizing the formulation and implementation of policies in the field of industrial relations and social protection for workers.

¹ Concerning unemployment insurance policies, the ILO published separate reports including Landry and Brimblecombe (2021) Tsuruga, Brimblecombe and Landry (2023).

² BPJS Ketenagakerjaan is the Social Security Administrator for Employment (Badan Penyelenggara Jaminan Sosial Ketenagakerjaan). It oversees social protection schemes aimed at workers in formal employment, and provides a number of benefits. BPJS Ketenagakerjaan is addressed in more detail in section 2.2 below.

- The Directorate General of Training and Productivity Development (hereafter referred to as “DG Training”) is the institution that has the task of organizing the formulation and implementation of policies responsible for increasing labour competitiveness and productivity. DG Training includes functional aspects in dealing with:
 - selection and referral of potential unemployed workers for training;
 - competency standardization and job training;
 - the development of training centres;
 - the development of instructors and training personnel; and
 - internship or apprenticeship development.
- The Directorate General of Placement and Employment Opportunity Expansion (hereafter referred to as “DG Employment”) is tasked with organizing the formulation and implementation of policies in the field of employee placement and the provision of job opportunities. These employment instruments are usually called Active Labour Market Policies (ALMPs) in most countries. They are closely linked to EI cash payments to assist unemployed workers find and keep permanent work, which falls under the responsibility of DG Employment.
- Currently, DG Employment provides job matching services, labour market information, résumé and job search workshops, job fairs, and self-employment development (entrepreneurial support). It is recommended to continue these low-cost interventions, which can provide effective assistance. However, some high-cost interventions, such as training, counselling and mobility assistance require close monitoring and sufficient funds to manage within the EI fund. Of critical importance is the sustainability of the EI fund in the first few years of implementation. Therefore, these more expensive interventions should be postponed for two years to ensure the sustainability of the EI fund.

It is also recommended that DG Employment assume responsibility for the following new responsibilities for the new EI scheme:

- Registering unemployed workers for employment upon termination of employment (to prove availability and willingness to accept immediate suitable employment); and
- Conducting ongoing and continuous job search interviews on a monthly basis and assisting in helping the unemployed worker in finding and keeping suitable employment. DG Employment should report any claimant who is not available to or capable of working or who refused a suitable job offer so as to have their EI benefits halted.

Relating to costing, these two new interventions will impact on DG Employment and will require a substantial number of additional staff.

Also, there will be additional costs for BPJS Ketenagakerjaan in processing EI claims for benefit. Many countries significantly increase staff for processing of claims for EI benefit because of the nature of decision-making and factfinding required in most EI claims (especially regarding “quitters” and “dismissals”). As per a recent actuarial report of Lebanon’s EI system prepared for the ILO: “Unemployment insurance is probably the most difficult of all social security benefits to administer, in view of the need to prevent the simultaneous receipt of unemployment benefit and earnings from work” (Landry, unpublished).

In terms of implementation plans, it is highly recommended to establish a “single window initiative” to provide more efficient service when implementing an EI scheme. This initiative would either integrate BPJS Ketenagakerjaan and the Ministry of Manpower into a single identity or co-locate staff from one institution in another to provide one-stop service to clients. Under the single window initiative, unemployed workers who are terminated will visit to register with public employment

services and file an application for EI benefits at one office, thereby increasing efficiency of service. Unemployed workers will save time by visiting one office instead of two. A number of countries have implemented the “single window initiative” with a positive impact on effective service for clients.

There are a number of risks associated with implementing an EI scheme at this time:

- The COVID-19 pandemic (very high degree of risk): It is recommended to postpone implementation of new EI scheme until herd immunity is established, or no sooner than January 2022.
- Population and geography of Indonesia (medium degree of risk): It is recommended to establish pilot sites prior to full implementation of the EI scheme (two to four offices – or two full-service offices and two partial service offices).
- Decentralization of government institutions (high degree of risk): It is recommended to include local and provincial government on the National Implementation Steering Committee.
- Letter of Termination (high degree of risk): Currently, the employer completes the Letter of Termination when a worker is terminated (exception: the worker quits), and this Letter is sent to the Ministry of Manpower Industrial Relations. With the implementation of the EI scheme, the employer will also complete a Letter of Termination (or record of employment) for BPJS Ketenagakerjaan outlining the reason for separation in detail (including quitting or being fired) and highlighting additional monies paid on separation. It is recommended to develop a joint Letter of Termination between BPJS Ketenagakerjaan and the Ministry of Manpower.
- New administrative functions for employment (high degree of risk): Unemployed workers will need to be registered with public employment services after termination of employment. To prove availability and willingness to accept immediate suitable employment and to prove the conducting of an ongoing and continuous job search, interviews will need to be conducted on a monthly basis and any claimant who is not available or capable for work or who refuses suitable employment will need to be reported to BPJS Ketenagakerjaan so that EI benefits may be suspended.
- Compatibility of IT systems between the Ministry of Manpower and BPJS Ketenagakerjaan (high degree of risk): The Ministry of Manpower is suggesting their SISNAKER system of information could be used as a platform between the Ministry and BPJS Ketenagakerjaan, but this requires further discussion.



Introduction



In January 2018 Indonesia's Minister of Manpower committed in Parliament to conducting a serious study towards the establishment of a mandatory employment insurance (EI) system (Ruck and Tsuruga, 2022). During a subsequent high-level tripartite dialogue with the ILO, workers and employers also confirmed their willingness to move this agenda forward and requested the ILO to assess conditions to launch unemployment benefits under the Decent Work Country Program 2018–2022.

A series of factfinding missions and consultation workshops were held in Jakarta during 2018 as a result of stakeholder requests. The ILO focused on the development of a national dialogue to discuss design elements of an effective EI system as well as administrative issues. On 4 December 2019, a meeting was held by the national tripartite committee, where it was decided to conduct a feasibility study on the implementation of an EI system for Indonesia. With the above in mind, this feasibility report seeks to provide advice and guidance on the planning and implementation of an effective EI scheme for Indonesia.

1.1. Background

In 2020 the ILO published the report *Legal, Financial and Administrative Considerations for an Employment Insurance System in Indonesia*, which had been written at a time prior to the advent of the COVID-19 pandemic. The report provided detailed information concerning the design, costs, and administrative and operational considerations for an EI scheme for Indonesia. In one unfortunate aspect, the report ended up being particularly prescient, stating that “Indonesia now stands in a strong economic position. However, a downturn is always possible... Such events always seem to happen unexpectedly and sometimes with unexpected severity. It is best to install the machinery for unemployment protection when economic activity is strong so that, if a downturn occurs, that machinery can be set in motion and expanded as necessary” (Bédard, Carter and Tsuruga 2020).

At the time of writing this report, the world is in the midst of just such an unexpected and unexpectedly severe downturn stemming from the impacts of COVID-19 pandemic. As a result, Indonesia finds itself needing to deal with the challenge of implementing an EI system during a major health and economic crisis.

In February 2020, just prior to the pandemic, the Government of Indonesia submitted an omnibus law on job creation to the House (Samboh 2020). The draft law indicated that:

- Unemployment benefits (JKP) will be established and provided in line with social insurance principles (social security contributions shared by workers, employers, and so on);
- Unemployment benefits are linked to public employment services and re-skilling programmes as well as to existing schemes of income replacement;
- BPJS Ketenagakerjaan³ will manage the unemployment benefit scheme; and
- Detailed design of the programme will be legislated by a separate government regulation.

On 5 October 2020, with the pandemic in full swing, lawmakers overwhelmingly voted to pass a stimulus bill that includes sweeping revisions to 79 laws in key sectors, including labour and taxation. Passage of the omnibus bill prompted strikes and protests by workers, labour unions and civil society organizations who feel the law will erode labour and environmental protections (Strangio 2020). Specifically in regard to unemployment protection, the laws governing severance pay will be eliminated with the introduction of an EI scheme, an outcome that is supported by business organizations but opposed by labour unions.

³ BPJS Ketenagakerjaan is the Social Security Administrator for Employment (Badan Penyelenggara Jaminan Sosial Ketenagakerjaan). It oversees social protection schemes aimed at workers in formal employment, and provides a number of benefits. BPJS Ketenagakerjaan is addressed in more detail in section 2.2 below.

According to Nawangpalupi and Tsuruga (unpublished), Indonesian stakeholders had been actively debating the possibility to establishing a comprehensive unemployment protection system that effectively harmonizes unemployment benefits, public employment services, re-skilling and job training programmes.

On the implementation of an EI scheme, the Government has confirmed the following:

- BPJS Ketenagakerjaan will manage the EI fund;
- The Directorate-General of Placement and Employment Opportunity Expansion of the Ministry of Manpower will continue to manage the job market information system (*Ayo Kerja*); and
- The labour market information system will be integrated with training facilities, both those managed by the Government and those managed by the private sector.

As a result, the base scenario should be:

- BPJS Ketenagakerjaan will be responsible for collecting contributions, receiving claims, making payments and other operations related to EI cash benefits (approval, validation of qualifying conditions, and so on).
- The local manpower offices will be responsible for job placement services and referrals to training programmes.
- EI contributions will be used to pay for EI cash benefits and the running costs of the EI scheme (registration, payment of benefits, claims processing and other related BPJS Ketenagakerjaan operations for the implementation of EI) (Landry and Brimblecombe 2021).

1.2. International labour standards relevant to employment insurance

There are two main ILO Conventions applicable to unemployment protection:

- Social Security (Minimum Standards) Convention, 1952 (No. 102); and
- Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168).

Convention No. 102 is described by the ILO as “the flagship of all ILO social security Conventions, as it is the only international instrument, based on basic social security principles, that establishes worldwide-agreed minimum standards for all nine branches of social security”. Those nine branches are:

1. medical care;
2. sickness benefit;
3. unemployment benefit;
4. old-age benefit;
5. employment injury benefit;
6. family benefit;
7. maternity benefit;
8. invalidity benefit; and
9. survivors' benefit.

Convention No. 102 requires that only three of these branches be supplied by Member States at time of ratification, in order to allow for the gradual extension of social security coverage by ratifying countries. Convention No. 102 rests on four main principles:

- guarantee of defined benefits;
- participation of employers and workers in the administration of the schemes;
- general responsibility of the State for the due provision of the benefits and the proper administration of the institutions; and
- collective financing of the benefits by way of insurance contributions or taxation.

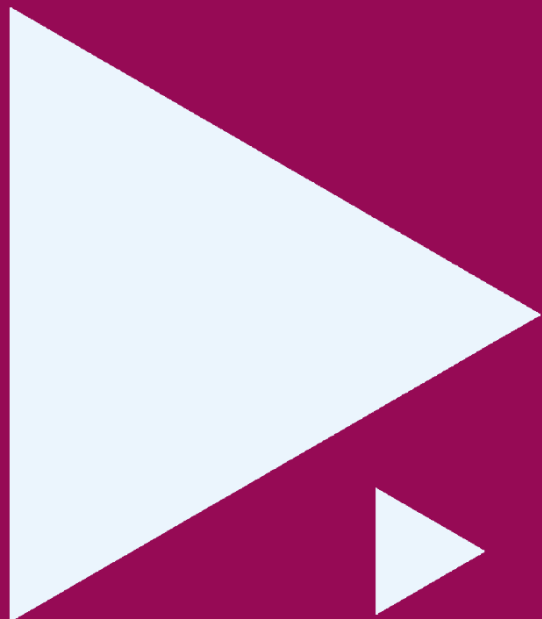
Convention No. 168 proposes higher income protection standards for industrialized countries, which can also serve as a target for developing countries. In addition to enhanced unemployment benefits, Convention No. 168 places more emphasis than its predecessor on the promotion of stable and productive employment. Ratifying States are therefore asked to coordinate their system of unemployment benefits with their employment policy.

The Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176), serves as a complement to Convention No. 168. It provides guidance on the promotion of productive employment, for example, with regards to a national employment service, training or mobility grants. Recommendation No. 176 also discusses fair protection levels and suitable employment, while offering advice on administrative and technical difficulties and the need for national dialogue.

It should be noted that Indonesia has not ratified either Convention No. 102 or Convention No. 168. However, Indonesia and the ILO have collaborated very closely since the country became a Member State in 1950. Using its unique tripartite structure, the ILO works in close collaboration with the Ministry of Manpower, the Indonesian Employers' Organization and the Indonesian Workers' Organizations.

▶ 2

Existing institutions in Indonesia



A number of institutions will be involved in the implementation of an employment insurance (EI) scheme in Indonesia. The following institutions will play a key role in the success of a rollout of a new EI scheme.

2.1. Ministry of Manpower

The Ministry of Manpower (MOM) is the centre for all labour issues and also the focal point for social security concerning the development of policy and regulations. The Ministry will be involved in the Employment Insurance Act and will be providing input to the National Training Plan (see Appendix I for an organizational chart of the MOM).

There are a number of directorates within the MOM that will be involved in establishing an EI scheme including, but not limited to, the directorates listed below.

2.1.1. Secretariat General

The Secretariat General is tasked with the coordinating and implementing administrative support to all organizational units within the MOM. It contains the Ministry's Planning Bureau, Finance Bureau, Organization and Personnel Bureau, Legal Bureau, General Bureau, Bureau for Foreign Cooperation, Public Relations Bureau, Education and Training Centre and also functional officials who conduct development programmes.

The Social Security Directorate provides leadership to the benefit programmes and could also be the focus of monitoring and evaluation exercises of the new JKP (unemployment benefit) programme.

2.1.2. Directorate General of Industrial Relations and Employment Social Protection

The Directorate General of Industrial Relations and Employment Social Protection has the mission of organizing the formulation and implementation of policies in the field of industrial relations and social protection for workers. It includes the work related to job requirements, remuneration, social protection and industrial relations institutions and cooperation and also industrial relations dispute settlement.

In one of the recent meetings with the Directorate General of Industrial Relations and Employment Social Protection, the issue of the national identity number found on national ID cards (Kartu Tanda Penduduk, or KTPs) was discussed at length. This number is used for administrative purposes. It is 16 digits long and describes the following:

- Province (2 digits);
- original city/district (2 digits);
- sub-district (2 digits);
- Male day of birth OR female day of birth + 40 (2 digits);
- month and year of birth (4 digits); and
- finally, a unique code which is four digits long and is used in situations where someone has the same previous province, city and date of birth.

The national identity number is required to register with the two national social security institutions: BPJS Kesehatan⁴ and the aforementioned BPJS Ketenagakerjaan. Both social security institutions use the national identity numbers to validate registered information and are issued their membership cards containing these unique numbers. For example, when a non-wage worker registers herself with BPJS Ketenagakerjaan on its website, she has to declare her national ID number as well as her working hours, monthly earnings, name, date of birth, mobile number, email and nearest BPJS branch office. On the social security card issued by BPJS Ketenagakerjaan, there are two ID numbers: (i) the national identity number; and (ii) the BPJS Ketenagakerjaan membership number. The same applies to the BPJS Kesehatan card. Given that this number is already used for all other benefit schemes, it could be potentially be used by the EI system for national administration and proof of identity when an unemployed person applies for EI benefit.

2.1.3. Directorate General of Placement and Employment Opportunity Expansion

The Directorate General of Placement and Employment Opportunity Expansion (hereafter “DG Employment”), is tasked with organizing the formulation and implementation of policies in the field of employee placement and the provision of job opportunities. DG Employment responsibilities include the development of labour market activities, the placement of workers in Indonesia and abroad, the development and expansion of job opportunities, and the control of foreign workers in Indonesia.

Many countries link cash payments with Active Labour Market Policies (ALMPs) in order to assist unemployed workers find and keep permanent work. ILO Convention No. 168 recommends, in Article 8:

Each Member shall endeavor to establish, subject to national law and practice, special programmes to promote additional job opportunities and employment assistance and to encourage freely chosen and productive employment for identified categories of disadvantaged persons having or liable to have difficulties in finding lasting employment such as women, young workers, disabled persons, older workers, the long-term unemployed, migrant workers lawfully resident in the country and workers affected by structural change.

By its nature, a properly designed and managed EI scheme meets the definition of an ALMP. An active job search is a condition for receiving unemployment benefits, along with regular reporting, attendance at counselling and monitoring interviews and acceptance of suitable job offers.

ALMPs in their broadest meaning are intended to assist individuals to find suitable employment as quickly as possible, and to keep it. Along with EI, they are not a solution to creating employment, but instead provide unemployed workers with additional tools to end their unemployment quickly and to participate as a productive member of society.

ALMPs are desirable in principle to support both workers and employers. There is a continuous debate worldwide as to what types of ALMPs are most effective in assisting the unemployed. Virtually all countries have minimal employment interventions to assist unemployed workers and employers, such as job referrals, job banks, labour market information, and résumé and job search workshops. These low-cost interventions can provide effective assistance.

However, some high-cost interventions, such as training, counselling and mobility assistance require close monitoring and sufficient funds to manage within the EI fund. Of critical importance is the sustainability of the EI fund in the first years of implementation, and therefore, these more expensive

⁴ BPJS Kesehatan is the Social Security Administrator for Health (Badan Penyelenggara Jaminan Sosial Kesehatan). It oversees the national health insurance scheme.

interventions should be postponed for two years to ensure the sustainability of the EI fund. In fact, some of these services, such as counselling, may be already provided by the local governments using the general tax revenues. It is necessary to assess which operational expenses should be borne by the EI fund or by the Government, and plan a gradual transition from tax-funded services to EI-funded services.

With regard to the new EI scheme, it is recommended that the Directorate General of Placement and Employment Opportunity Expansion continue providing the following employment activities (defined as ALMPs) during the first two years of EI implementation:

- Job matching activities and job banks;
- Labour market information;
- Résumé and job search workshops;
- Job fairs; and
- Self-employment development (entrepreneurial support).

It is also recommended that DG Employment assume responsibility for the following new responsibilities related to the new EI scheme:

- Registering unemployed workers for employment upon termination of employment.
- Conducting ongoing and continuous job search interviews on a monthly basis and reporting any claimants who are not available or capable for work or refuse a suitable job offer.
- Receiving information from the Directorate General of Training and Productivity Development that a beneficiary of EI benefits has either quit his/her course or failed to report to the training course, and sending this information to BPJS Ketenagakerjaan with a recommendation to disqualify the unemployed worker from EI benefits (if he/she quit without good cause).
- Referring beneficiaries to BPJS Ketenagakerjaan if they refuse a job that is considered suitable for the unemployed worker with a recommendation to disqualify the beneficiary from receiving EI benefits (two or more refusals would lead to a disqualification from EI benefits).

2.1.4. Directorate General of Training and Productivity Development

The Directorate General of Training and Productivity Development (hereafter referred to as “DG Training”) is the institution that has the task of organizing the formulation and implementation of policies responsible to increase the labour competitiveness and productivity. DG Training includes functional officials dealing with:

- competency standardization and job training;
- the development of training centres;
- the development of instructors and training personnel; and
- internship or apprenticeship development.

It also supervises the Secretariat of the National Agency for Professional Certification (Badan Nasional Sertifikasi Profesi, or BNSP) and functional groups supported by 21 Technical Implementing Units.

According to information received from DG Training, there are a total of 305 government vocational training centers (Balai Latihan Kerja, or BLKs), which includes 284 administered by regional governments and 21 run by the MOM. In addition, there are 17 training centres that are administered by other ministries. These centres will be potentially involved in the administration of JKP, which will be opened to the public.

There are also private training courses offered to Indonesians at privately run training centres (LPKs). According to the website B2B Indonesia (2018), these private training activities teach ten sets of skills, including household technology, health, business, administration, language, technology, art, handicraft, mass communication, sports and agriculture.

On average, 450,000 to 500,000 participants are trained through programmes funded by the MOM.⁵ The training capacity is for 1 million participants per year, which does not include participants trained under the Kartu Prakerja, or pre-employment card. Kartu Prakerja is a training fee assistance programme for Indonesians who wish to acquire or upgrade their skills. It is a competency development programme in the form of financial assistance aimed at jobseekers, laid-off workers or workers who need increased competence. In 2019, there were 487,000 participants trained. The majority of the participants completed their training courses but no numbers were provided. There are currently no statistics on the success rate of gaining employment following completion of these courses.

DG Training was asked to provide information on the most efficient way of using a screening and approval process to select individuals collecting EI benefits for training courses. The MOM has not discussed the approval and screening process or the budget available to select individuals for JKP. But ideally, they hope it would not be different to processes used in other countries. However, the MOM has indicated that DG Training will be responsible for selection and referral of suitable unemployed workers to approved training courses, the running of which will also be the responsibility of DG Training. To this end, they will use SISNAKER (Sistem Informasi Ketenagakerjaan, or Manpower Information System) for registration. Registration can be through BLKs, and the MOM will evaluate administrative requirements and conduct some tests. Once the participant passes the test, the BLK will make the final decision regarding approval to participate in a training programme. Currently, however, there is no link between DG Training and DG Employment or BPJS Ketenagakerjaan, which will oversee the EI scheme and JKP benefits.

According to DG Training, the MOM recently developed a survey to receive feedback from training participants. The survey was sent to participants via SISNAKER. This survey is planned to be sent automatically and periodically every 1, 3 and 6 months after attending a training course. The MOM will use the survey result to improve current processes and provide improved processes when developing the system for JKP. The survey will also assist in providing guidance on the development of the 2021 budget for the MOM.

In terms of communications and marketing strategies to attract jobseekers and workers as well as employers, MOM is using social media (Instagram and Facebook) to advertise training programmes. Television and radio ads are also used to communicate with employers, jobseekers and workers, but these are utilized less often than social media.

With regard to implementing a new EI scheme, it is recommended that the following activities be implemented by the Directorate General of Training and Productivity Development:

- Selection and referral of EI recipients to training (case management process);
- Approval of training providers and established training courses;
- Development of training standards, including research and developing job competency standards and certification issues; and
- Referring to DG Employment any beneficiaries who quit their training course or fail to report for the training course with a recommendation to disqualify the unemployed worker from EI benefits.

⁵ DG Training, Ministry of Manpower, as per their response to study questionnaire.

It will be important for DG Training to be in regular coordination with DG Employment (and vice versa). The objective will be to ensure that the training courses provided are in line with jobs available in the market as identified by DG Employment. In our discussions with stakeholders, this coordination does not seem to take place and there is inadequate linkage between the training offered and the jobs available. The successful implementation of a new EI scheme in Indonesia will require a focus on developing stronger linkages and communication between the relevant institutions.

2.1.5. Planning and Development Agency

The Planning and Development Agency has the task of providing support for workforce planning, data and information management, information system development, and research and development in labour-related issues. It also deals with information technology (IT) issues.

As noted above, the information management system used by MOM departments is called SISNAKER. The SISNAKER system is already integrated for the services provided by different MOM directorates (DG Employment and DG Training). The system is not, however, integrated with that of BPJS Ketenagakerjaan.

2.2. BPJS Ketenagakerjaan

BPJS Ketenagakerjaan plays a significant role in administering social protection programmes for Indonesians. There are four main programmes that BPJS Ketenagakerjaan is responsible for processing and paying benefits, as per table 1 below.

► **Table 1. BPJS Ketenagakerjaan social security benefits: Amount of claim payments and number of cases**

Benefit	Amount of claim payments (billion rupiah)	Number of Cases
Old-age benefit (JHT)	19 707	1 867 771 (91.5%)
Death benefit (JKM)	612	22 232 (1.2%)
Employment injury benefit (JKK)	972	123 040 (6.0%)
Pension benefit (JP)	76	26 922 (1.3%)
Total	21 367	2 039 965 (100%)

Source: Indonesia, BPJS Ketenagakerjaan 2018.

The vast majority of claims for social protection benefits related to making withdrawals from the JHT scheme.

BPJS Ketenagakerjaan has an extensive network of offices throughout Indonesia. This network of offices will be a significant factor when implementing a new EI scheme (see section 3.5 below, specifically table 3).

According to the *Annual Report 2017* for BPJS Ketenagakerjaan (page 36):

In general, the operational performance of BPJS Ketenagakerjaan shows quite encouraging comments and is in line with the Organization's predetermined target. BPJS Ketenagakerjaan's performance compared to the targets set in the 2017 RKAT in general can be considered quite good. In terms of membership, the achievement of membership in the employer/ active business entity reached 488,118 employers/business entities and active workforce of 26,242,032 people. This number exceeded the membership target at 114.85% for active membership of the employer/business entity, and 104.10% for the achievement of the active workforce. As of August 1, 2017, BPJS Ketenagakerjaan protects Indonesian Migrant Workers. As of December 2017, there were 121,675 Indonesian Migrant Workers protected. This achievement is a manifestation of the

commitment of the entire management of the Organization to meet annual targets and is expected to be sustainably maintained.

The 2017 report also highlights the aspect of customer satisfaction with BPJS Ketenagakerjaan services. Based on an e-survey conducted that was filled in by 1,234,698 participants, as many as 73.13 per cent were very satisfied, 22.72 per cent were satisfied and 3.13 per cent were quite satisfied, and small percentages people were less satisfied and dissatisfied, 0.45 per cent and 0.57 per cent, respectively. The survey serves as a reference for BPJS Ketenagakerjaan to continue to improve the quality of its services for participants. Meanwhile, based on a customer satisfaction measurement conducted by an independent consultant, the level of customer satisfaction index is 90.17 per cent and the Net Promoter Score is 31.90 per cent.

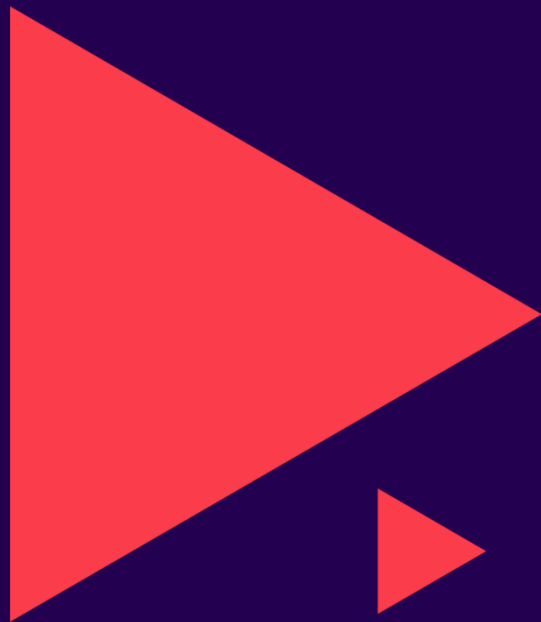
Conventions Nos 102 and No. 168 state the importance of good governance in the instruments for social protection, including employment insurance schemes. BPJS Ketenagakerjaan acknowledge the role of governing with transparency and objectivity. As a public legal entity, BPJS Ketenagakerjaan has demonstrated good governance by adopting the principles issued by the National Committee on Governance Policy and the International Social Security Association (ISSA). In accordance with an infrastructure hierarchy of good governance, commitment to compliance and implementation of best governance practices, among others, were realized in 2017 through the BPJS Ketenagakerjaan's Code of Ethics, Conflict of Interest Guidelines, Internal Control System Guidelines, Assets Report on State Administrators, Management Policy Risk, Compliance Guidelines and Fraud Control System and laws that govern gratification.

Recommendation for BPJS Ketenagakerjaan: For all of the above reasons, it is acknowledged that BPJS Ketenagakerjaan is the best choice for administering the new EI scheme in the following areas:

- Registering of employers and the collection from employers of the designated contribution amounts for employers and employees;
- Receiving applications for EI benefits and the Letters of Termination given by employers to unemployed workers;
- Processing applications for EI benefits;
- Assessing and making final decisions on applications for EI benefits;
- Issuing payment of EI benefits or issuing non-entitlement letters with appeal rights; and
- Making decisions on entitlement on a continuing basis, such as for refusal of work situations and quitting employment or training courses.



Administration and implementation plans



3.1. Potential implementation plans

As per the ILO publication Unemployment Protection: A Good Practices Guide and Training Package:

The prime objective of an implementation plan is to assist an implementation coordinator in:

- Keeping the implementation plan on time so that the unemployment insurance scheme is successfully launched;
- Identifying any bottlenecks or issues that need to be addressed during the course of the implementation phase;
- Identifying resources (human, IT, and financial) that are required for the implementation of the EI scheme;
- Identifying critical tasks and dates for the implementation to be successful; and
- Keeping senior management informed development of the new EI scheme (ILO 2017, 153).

There is also advice and guidance from the ILO Regional Office for the Arab States which suggests dividing the implementation plan into 4 main components. The National Tripartite Social Security Committee of Palestine, with the assistance of the ILO, had developed four interconnected components of an initial implementation plan for a social security scheme in Palestine (Kulke 2017), as follows:

- First Component (Phase One): Planning Stage: introducing and promoting the new social security scheme in Palestine: initiating an communication strategy to raise awareness of Palestinians concerning the new social security system, continued capacity building of tripartite stakeholders, appointment and training preparatory team for setting-up the new social security administration, and linkages with other existing institutions and departments in Palestine as well as establishing international, regional and bilateral cooperation agreements with other social security organizations and institutions.
- Second Component (Phase Two): Building and Designing Stage: the organizational structure of the new social security organization, development of the operational processes and procedures (such as contribution collection, linkages with other national, regional and international organizations to develop exchange of information agreements to benefit the new social security organization).
- Third Component (Phase Three): Implement the Pilot Stage of the project: establishment of the new social security institution through implementing the business process, organizational structure and management procedures, standards of quality, security and services guidelines; implement operational and workflow procedure processes, IT systems, training courses, procurement of equipment and supplies.
- Fourth Component (Phase Four): implementation of the new social security institution in Palestine once the minimum contribution requirement has been met and workers can apply for benefits; extensive awareness for the public, employers and workers and their families; conduct an evaluation of the project assessing the implementation and recommendations for expanding the project nationally to all sites in Palestine.

Table 2 below is an illustration of a generic implementation plan for Indonesia with a list of important activities. This sample case uses a theoretical date of implementation of 1 July 2023 for EI benefits, wherein unemployed workers can qualify for EI benefits by meeting the number of insurable months of contributions (*Note: in this case, the unemployed worker requires 12 months of insurable monthly employment to qualify*). Therefore, the collection of contributions would commence 1 January 2022 in this scenario.

► Table 2. Illustration of a generic EI implementation plan in Indonesia

Phase	Areas of work	Important Dates
	Government formalizes the establishment of a new EI scheme for Indonesia	5 October 2020
Phase One	Establish National Implementation Working Group Establish Administrative Board for EI Fund Legal requirements Network of offices	
Phase Two	IT system for collection of contributions Manual of procedures Communication strategy for collection of contributions Recruitment for collection of contributions Training for collection of contributions Go live date for the collection of contributions for EI	1 March or 1 April 2021
Phase Three	Establish hotline to national headquarters for local offices to address implementation issues IT system for calculation and payment of EI benefits Communication strategy for implementation and benefits Recruitment and training for calculation and payment of benefit Implementation date for unemployed workers to file EI claims for benefits and receive EI benefits	1 March or 1 April 2022
Phase Four	Monitoring and evaluation of the implementation of the new EI scheme in first month of processing EI claims Monthly reports for managing the processing of EI claims for benefit Continuous training Continuous communication Full evaluation of new EI scheme 3 to 6 months after EI scheme implementation	1 July or 1 October 2022

3.2. Establish a National Implementation Steering Committee Working Group

Once the Government has formalized the decision to proceed with the establishment of a new EI scheme, it will be vital to establish a national working group who will be in charge of implementing the scheme.

The National Implementation Steering Committee Working Group would commence by first agreeing on an implementation plan for the launch of the new scheme. The mandate of the national working group could be according to the ILO (2017) publication *Unemployment Protection: A Good Practices Guide and Training Package – Experiences from ASEAN*:

- Assume management of the implementation plan and take responsibility for all decision-making processes during the implementation;
- Report to senior management through status updates on the progress of the implementation plan;
- Identify issues that could negatively impact the implementation plan and provide corrective action;
- Agree on a timeframe to successfully implement the new EI scheme;

- Identify any major risks and develop a risk-mitigation document in anticipation of any negative impacts; and
- Identify, install and coordinate the work of sub-working groups responsible for different aspects, such as legal, IT systems, human resources, supplies, training and communication issues.

Once the sub-working groups have been established, they can work in parallel timeframes. For example, the sub-working group for the new IT system, for office space and supplies, and for human resources can be established early in the design stage and continue to work throughout the pre-implementation period until all tasks are successfully completed. It is also recommended to have a sub-committee set up once the national working group has been selected in order to maintain continuity of messaging and to begin the early development of a public awareness campaign.

3.3. Establish an administrative board for the Employment Insurance Fund

Countries that have implemented a mandatory employment insurance scheme have created a single EI Fund administered by a Board of Directors comprised of stakeholders and expert parties. The EI Fund consists of:

- Collections of contributions from employers and workers;
- Allocations set aside by the government for the EI fund;
- Additional amounts and accrued interest in cases of delay;
- Profits arising from investment of the fund's assets and any other income arising from its business activities; and
- Grants and donations, both conditional and unconditional, which are accepted by the Board of Directors.

The purpose of a single EI Fund is to protect it from potential government interventions and from the funds being used for reasons other than social protection for the unemployed and employers.

The board of directors usually comprises government officials involved in the administration of the EI scheme as well as employers' and workers' representatives. Government officials include those responsible for the administration of the EI benefits and ALMPs such as job matching services, employment counselling and providing labour market information, and especially those involved in training and skills development (referral to training, approving training sites and courses, and accreditation). Also, academics and social insurance experts could be included as board members.

The Indonesian Government has already announced through the Omnibus Bill that BPJS Ketenagakerjaan will be responsible for the Employment Insurance Fund. This means that the Employment Insurance Fund is administered under the supervision of the Board of Directors of BPJS Ketenagakerjaan.

3.4. Legal requirements

The Omnibus Law that establishes the new EI scheme also indicates the details that the administration of the EI scheme will be drafted in regulations. Indonesia, as well in most other countries, has a hierarchy of legal texts which, generally speaking, is as follows:

- Acts or laws that are usually adopted by a legislative body such as a parliament; and
- Regulations, which are rules and administrative codes usually issued by ministers or other accountable officials in government. Amendments can be made more quickly to a regulation

versus an act; however, if there is a contradiction between a regulation and an act, the act will take precedence.

The new national working group should establish a sub-working group for the legal considerations of the EI scheme as quickly as possible. The legal sub-working group should be comprised of government lawyers, administration officials and experts in the legal field. The legal sub-working group should consider, but not be limited to, the following points:

- ensuring compatibility with and possible implications for the existing legal framework;
- conducting a review to determine the effectiveness of the social protection programmes of Indonesia and to possibly harmonize the various social protection programmes that might overlap; and
- possible implications on provisions for termination benefits and severance payments – it is permissible for severance payments to delay the start date of EI benefits, according to Article 22 of Convention No. 168.

The ILO supports the need for an integrated system comprising an EI scheme along with employment promotion policies as outlined in ILO Convention No. 168 (Article 7), which states that the objectives of these two priorities will promote full, productive and freely chosen employment. As such, there will be a need for close co-operation between social insurance and employment promotion policies to ensure a harmonized approach.

There is also a need to establish provisions allowing flexibility in administering EI benefits during times of catastrophe (such as pandemics, natural disasters, and so on) to allow for quick response by the Government in these cases.

Employment insurance legislation can be quite extensive, as evidenced by Canada's Employment Insurance Act⁶, which in addition to the law itself also has numerous references to regulations. Whereas in Bahrain, for example, the Insurance Against Employment Act, 2006,⁷ is concise and less extensive (see Appendix II for a full inventory of the elements of a proposed regulation for an EI scheme).

3.5. Network of offices

In order to establish an effective EI scheme, the network of offices of the institution responsible for the administration of the scheme is of primary importance. BPJS Ketenagakerjaan has officially been selected by the Government for EI administration, namely, accepting applications for EI benefits, assessing EI claims for benefit, and issuing EI payments, as well as registering employers and collecting contributions. DG Employment and DG Training also have an extensive network of offices throughout Indonesia. Table 3 below highlights the network of offices for BPJS Ketenagakerjaan.

► **Table 3. Network of BPJS Ketenagakerjaan offices and the services they offer**

Office type	No. of offices	Services offered
Main National Office	1	Administrative Staff only – no public services
Regional Offices	11	Administrative Staff only – no public services
Large Branch Offices	123	Large Full-Service Offices: receive claims for benefit, process and decide on claims for benefit, and make payment. Usually have around 50 employees per office.

⁶ The full text of Canada's Employment Insurance Act is available at: <https://laws-lois.justice.gc.ca/eng/acts/e-5.6/>.

⁷ The full text of Bahrain's Insurance Against Unemployment Act is available at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/77980/83062/F1225316255/BHR77980.pdf>

Small Branch Offices	202	Small Full-Service Office: receive claims for benefit, process and decide on claims for benefit, and make payments. Usually have 4-5 employees.
Service Points (Pilot Offices)	1 000	Partial Service Offices: receive claims for benefit and ensure all information is submitted by unemployed worker – small number of employees
Total	1 337	

BPJS Ketenagakerjaan branch offices are usually located in cities. Currently, the pilot offices are transferring claims for benefit to the branch offices for processing. BPJS Ketenagakerjaan are currently in the midst of changing the way they do business from using physical offices to electronic services. The issue of filing for EI claims for benefit will need to be addressed as part of this transition.

The challenge will be to provide these services to unemployed Indonesians effectively by limiting the number of visits by unemployed workers to government agencies. Many countries have dealt with this issue by implementing a single-window initiative approach.

Already, many governments worldwide have adopted a single-window service approach, encompassing all social services or only selected ones, to eliminate inefficiency and ineffectiveness in government procedures and to decentralize and improve the reach and coordination of services. With the implementation of an EI scheme, Indonesia has the opportunity to revamp their services by having an effective collaboration initially between the MOM and BPJS Ketenagakerjaan, with social assistance possibly joining this initiative.

However, governments are also facing challenges related to the technical aspects of the single-window system as well as issues related to the organizational, inter-organizational, managerial, financial, political, legal, national and international settings. Therefore, there is a need to develop a strategic framework that will inform how implementation challenges should be systematically addressed. Some of these challenges include interagency collaboration, business process analysis and simplification, data harmonization, interoperability and a legal framework.

Meetings with MOM departments and the BPJS emphasized the importance of client service and control of expenses in the delivery of EI benefits. The single-window initiative brings together the two main departments responsible for the processing of EI claims and Active Labour Market Policies (ALMPs). For example, Canada has actually integrated employment and insurance into one department and created a unique position entitled “Employment and Insurance Officer” (E&IO). This position allows E&IOs to meet with an unemployed worker who wishes to register for employment and apply for EI benefits in the same location. The E&IO would initially provide assistance to the unemployed worker by attempting to match the worker with a suitable job and/or provide counselling services. The unemployed worker can then apply for EI benefit if no suitable job is found through the job bank and allow the E&IO will review the EI application as part of front end services and sometimes process the EI claim as well.

An alternative to this arrangement would be to have staff from the MOM sit next to BPJS staff at the BPJS location, which would also allow for an unemployed person to obtain these essential services in one location, thereby enhancing the client service experience.

In discussions with the Information Technology Directorate at the MOM, the ILO received comments on a discussion concerning the one-stop window for services and the possibility of using the existing SISNAKER system for regions/offices that have internet access. The Directorate further commented that if this is implemented, the MOM should consider other avenues for people and regions that do not have internet access.

Regarding the compatibility of the two systems – BPJS’ system and SISNAKER – the Directorate commented that the unique ID that workers use to register with SISNAKER and that the MOM use for workflows in system is the NIK (National Population Number). The BPJS system also uses this unique

ID, so there is already compatibility in this aspect. But there needs to be more discussions on the single window initiative between BPJS Ketenagakerjaan and MOM.

It was also addressed that the system is already integrated for the services provided by the different MOM directorates (such as DG Employment and DG Training). Regarding integration with BPJS Ketenagakerjaan, while currently there is no integration, the MOM can still access the information that BPJS Ketenagakerjaan has through the WLKP (Mandatory Reporting for Employers' Workforce) web service. This system indicates which employers have registered for the four social protection schemes that BPJS Ketenagakerjaan run (JKK, JKM, JHT, and JP). The MOM acknowledged the need for further discussion with BPJS Ketenagakerjaan to ensure that as many services (including JKP) should be delivered through the IT system to reduce cost. There should also be strong regulation to ensure employers and employees register through the IT system.

Through the SISNAKER system, the MOM can track where in the process jobseekers are – from where they are looking for work to any interviews they have attended. As mentioned, this is not yet available for JKP.

3.6. Information technology systems

IT and strategic e-government business plans have an essential role in the development of an efficient modern-day unemployment protection scheme. In many countries, the delivery of social security programmes is focused more on individuals, which allows for more online interaction and provides faster, more convenient and more responsive client service.

A crucial factor to be considered by a country when assessing the feasibility of an unemployment protection scheme relying, even partially, on electronic services is the level of development of the computer system to be used in the administration of an EI scheme. A system to electronically process claims for benefits is of critical importance, but remains a major challenge in many developing countries.

Several countries in South-East Asia, for example, have existing social insurance schemes with an effective computer system and e-tools for the citizens to access information on government websites. In Malaysia, the Social Security Organization (SOCISO) had indicated a dynamic plan, before the implementation date of the new EI system, for the enhancing its business activities through an IT project. The plan offered a number of improvements to an already effective system, including a central database for claims processing, with all branch offices connected to it via two broad bandwidths and three-second response times for users. Employers can use the "self-service" function to register their business with SOCISO and to pay contributions online. The Employees Provident Fund (savings account) has developed a sophisticated computer system utilizing electronic withdrawals by clients and smart card technology.

Viet Nam successfully implemented a new unemployment insurance scheme in January 2010 without the support of a computer system. This was successful because of the dedication of unemployment insurance scheme managers and staff. But shortly after implementation, they had developed an EI computer programme that was established nationally at all employment service centres (and which processes EI claims and pays EI benefits).

Canada has had an EI scheme in place since 1941, and eventually developed a highly effective IT system including the ability of an unemployed person to file an electronic EI claim for benefit via the internet. The electronic EI claim system, named "Appli-Web", was introduced in the late 1990s and now 99.9 per cent of EI claimants (over 3 million) apply for EI benefits through the online system. In addition, employers can also submit their Record of Employment (similar to Letters of Termination) via the internet to EI databases. This process allows for an electronic decision free of human intervention (provided all information is verified by the system as complete) (Canada, CEIC 2013).

Other countries allow for the unemployed person to download and print the EI application for benefits before taking it to their local EI office. Most countries have information on the EI process located on their website.

There are challenges with regard to establishing such an IT-based system in Indonesia. To begin with, the kinds of infrastructure challenges usually experienced by developing countries do exist in Indonesia as well, such as limited electricity and internet connections. In addition, to navigate the internet and online applications requires basic digital literacy skills that many Indonesians, particularly older persons, do not yet have. Among those Indonesians who do regularly access the internet, this access is mainly done through mobile phones. As such, all online platforms need to be mobile responsive and adapted usage on both mobile phones and computers.

Like many government initiatives that use electronic procedures and platforms, the government must offer an option to provide services manually and offline. The moving of services over to digital provision should be done through a slow and long-shifting process.

But this is still a process worth undertaking, as internet usage and digital literacy is very much on the rise. According to The Jakarta Post, “the number of internet user in Indonesia has increased by 14.6 percent to 196 million people in 2019, from 171 million in 2018, despite persistent challenges in unequal access and digital literacy, the Indonesian Internet Providers Association (APJII) nationwide survey has shown” (Eloksari 2020). The internet penetration rate has gone up to 73.7 per cent in 2020 from just 64.8 percent in 2018.

Governments should consider three essential features with an integrated IT system:

- The logic between the business plan and the system’s IT vision;
- The collaborative work that can be done among ministerial departments and offices towards more efficiently and effectively serving the population and saving public resources; and
- Provisions for the respect of beneficiaries’ dignity and right to privacy.

The business plan for the establishment of the EI scheme should include concise and clear instructions on user requirements to efficiently implement the policies and procedures of the scheme, such as procedures for registering applicants, processing claims for EI benefits and monitoring beneficiaries.

The general business requirements for a new EI system would include, but not be limited to, some of the following application developments:

- Establish database for EI system (within current IT system);
- Data input screens for registration of employers and collection of contributions;
- Data input screens for EI application data and processing claims;
- Assessment and calculation tools for processing claims for benefit;
- Electronic payment system;
- Data input screens for active labour market activities;
- Transaction screens for approval/suspension/reinstatement of benefits;
- Transfer of claims between offices;
- Establish enquiry/history screen of EI benefits payments, employment activities and decisions;
- Enquiry screens on status of claim;

- Linkages between department databases including but not limited to MOM, BPJS Ketenagakerjaan, banks, training institutions and other ministries/departments involved in a new EI system;
- Daily and weekly reports on decisions outstanding;
- Weekly and monthly reports on claims processing and decision-making (including non-entitlement to benefits);
- Monthly reports on suspensions and activation of benefits and total benefits paid; and
- Robust data management system for analysis of EI data as a managing and forecasting tool.

Indonesia will benefit from an IT system that has already been established for the four social protection programmes currently overseen by BPJS Ketenagakerjaan: JKK, JHT, JKM and JP. The registration of employers and collection of contributions will require minimal development as these tasks have already been established for the other schemes. The processing of EI applications for benefit will require significant resources and time to implement the new EI scheme in terms of IT systems. The payment of EI benefit could require minimal development. The major differences between the four existing programmes and the EI system are as follows:

- There will be many more interventions with the EI system compared to the four existing programmes, as the scheme will pay six months of EI benefits and ongoing monthly interviews could result in disqualifications or disentitlements to EI benefits.
- Need to collaborate with the MOM's IT system to share and access each other's information, which means addressing issues around system compatibility, access to information between the MOM and BPJS Ketenagakerjaan, and ability to update information.
- Anticipate a substantial amount of EI claims (possibly 1 million per year or more).

The MOM has responded to our questionnaire on IT systems and highlighted that the Ministry and BPJS Ketenagakerjaan have an agreement to integrate the registration of unemployment data. In addition, there are indications that the MOM is ready to take on additional tasks related to implementing JKP (EI scheme). They will work on this initiative once the workflow is agreed upon between the different MOM directorates and BPJS Ketenagakerjaan. The MOM and BPJS will also need to keep in mind the needs of the business side when developing an IT system for the EI scheme.

On the positive side, regarding the compatibility of the two systems – BPJS' system and SISNAKER – comments were received indicating that the unique ID that workers use to register with SISNAKER and that the MOM uses for workflows in system is the NIK (National Population Number), which is apparently also used by BPJS Ketenagakerjaan; so there is already compatibility in this respect.

3.7. Manual of procedures

Across various countries, manuals of procedures have been recognized as important tools for managers and staff to ensure consistency when processing EI claims for benefit. At one time, before the advent of the internet/intranets, the upkeep of manuals was very labour intensive. It was also difficult for offices to maintain up-to-date versions of their procedures. With the introduction of the internet/intranets, these instruments provided for real-time updates and no need to continually check for updated versions.

A manual of procedures is a sequence of steps for completing a given activity. A procedure may outline the manner in which a particular policy is to be implemented, but it cannot take the place of that policy. Some countries combine policies and procedures into one manual, while others create two separate tools – a manual of procedures and a manual of policies. Please see Appendix III for a generic list of subjects for an EI scheme manual.

A manual of procedures should be completed by a team of national staff prior to the development of formalized training packages and staff training. Some countries use these manuals of procedures as their training packages, and each country needs to select the best method for their country. Workflow processes will be an important tool, especially for front end and back end staff as well as managers.

Manuals of procedures and policies are used extensively in governments throughout the world. As an example, the Public Service Commission of the Canadian province of Prince Edward Island established a Human Resource Policy and Procedures Manual in 2002. This manual has been compiled to provide a current source of reference to employees of government departments, crown corporations, and agencies. This manual is intended to assist management in the delivery of human resource policies, services, programmes and practices in a fair, equitable and consistent manner”.

The objective of using procedure and policy manuals is to ensure consistency in the administration of programmes and services such as the EI scheme in Indonesia. Having a manual that directly presents the procedures and policies to address issues related to implementing an EI scheme with a large population base and a geographic region of 18,000 islands can assist in ensuring consistency while processing EI scheme claims effectively.

3.8. Hiring and training of employment insurance staff

New staff should be hired closer to the “go live” date of the registration of employers and the collection of contributions as well as to the implementation date for the unemployed workers to file EI claims for benefit and receive EI benefit. In terms of the registration of employers and the collection of contributions, the impact on the district offices should be minimal, as most employers who are covered under current social insurance schemes have already been registered in the past. Any significant hiring will occur prior to the implementation date where insured persons can apply for EI benefits.

In front end services where the EI claims will be received, current staff will be responsible for ensuring that all the necessary information has been completed, but larger offices might need minimal staff increases (depending on the amount of EI claims to be received in smaller district offices and pilot sites). However, a significant number of staff would be required in back end services where the EI claims are processed, assessed and decisions on entitlement finalized. The payment of benefits should have minimal impact, as all existing programmes utilize an electronic payment system.

Training of staff should occur as close as possible prior to the implementation of the EI scheme. Training of staff on registration for employers and the collection of contributions is an exception and these staff members should be formally trained just prior to the “go live” date for contributions. It is recommended to have formalized training sessions in training facilities with computers so as to have a “hands on” experience with a training database programme.

Virtually all countries with an employment insurance scheme have a designated training unit to provide new and ongoing training to staff and management. The training units utilize various methods of training depending on the audience and the complexity of the knowledge being imparted. However, the initial training for the new EI scheme should be conducted using formalized classroom training; while follow-up training could use pre-reading information, computer-based training modules or one-on-one training. It will be important to put in place a process to monitor the work produced by staff in the post-training period.

A description of the various training techniques is as follows:

- Pre-reading information can be useful to provide background information to participants prior to the formalized training, or it can be use for review for existing staff, who may have already been trained.

- Computer-based training modules: Excellent tool for individual study (or could be used by staff in remote sites such as pilot offices).
- One-on-one training: Training is tailored to the needs of the individuals and can be used to assist staff with a lack of knowledge of a particular issue or with needs determined through monitoring activities.
- Computer training on the employment insurance IT system for staff: Requires a computer training room with sufficient computers and links to the intranet and internet.
- Formalized classroom training: Full training covering EI processes, policies and procedures for larger groups.
- General overview sessions: Partial training providing general outlines of policies and procedures for interested stakeholders.
- Enhanced overview sessions: Partial training providing general outlines of policies and procedures along with specialized elements (such as those dealing with vocational training).

Full training sessions will be required for managers and staff involved in the assessment of applications for benefit as well as computer training and soft skills training for those who deal with enquiries and engage directly with the public. A full training schedule is attached as Appendix IV.

3.9. Communication strategy

When it comes to the successful conclusion of the implementation of an EI scheme for Indonesia, it will be imperative to have an effective internal and external communication strategy.

A sub-working group for “Communications” is absolutely necessary, and this group should be established as quickly as possible as part of the national working group (see section 3.2). The communication strategy needs to be developed for the pre-implementation, implementation and post-implementation periods with the following in mind:

- The strategy should carefully consider the resources and communication modes available at the local level, especially in rural areas. It is recommended to develop a communication plan that addresses distinctly urban and that addresses distinctly rural populations.
- There should be a dashboard instrument (acting as a progress update report) issued weekly, fortnightly or monthly depending on the phase of the project.
- Progress reports should also be used to keep institutions involved in the EI scheme project up to date on a regular basis.
- The full national implementation group should be kept fully apprised of any communications feedback from stakeholders or the public.

It is recommended that each district office with full-service capabilities create a position entitled “Public Liaison Officer” (PLO) for the period before, during and after the implementation of the EI scheme in Indonesia. The PLO could also assist in training managers and staff of the new EI scheme.

Viet Nam conducted an evaluation of their implementation in 2010. Feedback from a worker survey indicated that the majority of workers received information on the EI scheme essentially through their employers. Previous studies have also demonstrated the importance of ensuring employers are kept fully aware of the EI scheme. Employers could also assist the PLO in conducting training seminars with their staff to ensure a better awareness of the EI law and system (Carter 2011).

The evaluation in Viet Nam also highlighted the need for ongoing and sustained efforts to improve the level of knowledge of employers and workers concerning the EI scheme especially around the “go-live” date for the collection of contributions and the implementation of the full EI scheme. While the

initial coverage seemed to be appropriate, there is always room for improvement, which highlights the need for countries to carry out evaluations on a consistent basis.

3.10. Monitoring and evaluation

Also, the need for good governance is an essential element to establish an effective employment insurance system. Good governance translates into effective monitoring and evaluation of the scheme. In most cases, a monitoring and evaluation (M&E) system refers to all the indicators, tools and processes that you will use to measure if a programme has been implemented according to the plan (monitoring) and is having the desired result (evaluation).

There is a serious need to monitor the performance of all employment insurance schemes. The main reasons for this are the following:

- It is part of good governance.
- It allows assessment on whether the targets are achievable.
- It allows assessment of whether targets are being pursued in an efficient way (for example, checking that the administrative processes are functioning well).
- It provides accurate information to eventually propose corrective measures when targets are not achieved.

In addition, there is also a need to focus on objective and transparent processes to gain the public's trust.

Under the ILO Social Security (Minimum Standards) Convention, 1952 (No.102), Articles 71(3) and 72(2), and the ILO Employment Promotion and Protection Against Unemployment Convention, 1988 (No. 168), Article 28, the State has the general responsibility to ensure the sound administration and delivery of unemployment protection benefits and assistance, which includes such issues as the timely and accurate payment of benefits and objective and consistent decision-making by department officials in the determination of entitlement to benefits.

Canada conducts performance measurement in the administration of its EI scheme, although few results are published, with the relevant reports mostly restricted to internal circulation. One important public report is the annual Employment Insurance Monitoring and Assessment Report⁸, which provides a comprehensive review and assessment of the EI scheme's experience. A few limited indicators and overall financial data are found in two other publications, the administering department's annual Departmental Performance Report and the Government of Canada's Public Accounts. Statistics on EI beneficiaries and payments are published monthly by Statistics Canada.

In Indonesia, annual reports are submitted to the Government by the MOM and BPJS Ketenagakerjaan as part of their performance management activities. The reports provide extensive information on financial and operational issues including performance management results and costs.

If a country is planning to implement a new EI system, the primary tools for assessing an EI system are key performance indicators (KPIs).⁹ According to Freebalance (2017), "government performance management is complex. Many data sources are available to government decision-makers. These data sources may not be relevant to improving government performance in pursuit of policy objectives. Relevant KPIs form the cornerstone of effective public accountability. ... KPIs can provide the focus to simplify government decision-making."

⁸ As an example, the 2018/19 report is available at: <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2019.html>.

⁹ The Treasury Board of Canada offers guidelines for KPIs in public programmes, which are available at: <https://www.tbs-sct.gc.ca/si-as/kpi-icr/kpi-icr-eng.rtf>.

How do we set performance targets? An essential component of measuring results is the setting of performance targets. Performance targets are goals that an organization can set to gauge success by measuring attainment of specific measures (such as claims should be finalized in fewer than 10 working days). A complete and reliable set of performance targets can be used to measure the success or failure of an EI scheme. It also can be used by policymakers, supervisory bodies and managers to assess performance, anticipate problem areas and suggest solutions. Performance targets provide a powerful tool for driving improvements as well as establishing a basis for common action with partners.

Why use key performance indicators in an EI scheme? KPIs are a small number of agreed upon measurements that reflect the organization's critical goals for success – they are ultimately a numerical snapshot. One of the main functions of an EI scheme is to pay partial benefits to eligible beneficiaries who involuntarily lost their job and are actively looking for work. These partial benefits are required to be paid accurately, on time and to the right person, and these elements of an EI scheme serve as an ideal KPI for management to measure success.

One way to determine which KPIs should be selected is the “S.M.A.R.T.” process (Doran 1981, see Appendix V). It guides one to ask relevant questions to define what KPIs would be appropriate for a country's monitoring system of the EI scheme. It is important to keep in mind what you need to avoid when setting performance indicators, which is highlighted in tip box 1.

► **Box 1. What do we need to avoid when setting performance indicators?**

The organization should avoid setting KPIs that are easy to reach or simply because it will be easy to collect certain data.

Selective KPIs can be made public, but only those that matter for the good delivery of public services, and which contribute to the Government's and the public's need for information.

The organization should avoid setting KPIs that are too complex or too difficult to understand or explain.

The organization should avoid setting KPIs on the basis of business units that can be manipulated, dressed up to look good or according to targets that will only be met by neglecting other important aspects.

The organization should avoid setting too many KPIs, which would distract decision-makers from focusing on what is important.

All aspects of the unemployment protection scheme can be measured, including:

- Coverage, including legal coverage, which refers to the percentage of economically active population that is legally protected from unemployment, and effective coverage, which is measured in terms of the number of unemployed and/or underemployed receiving EI benefits compared with total unemployment.
- Adequacy of benefits: Are the unemployment benefits adequate enough so that unemployed workers and their families have sufficient funds for daily living and can avoid poverty, but without benefits being overly generous and thereby encourage moral hazard?

Examples of appropriate KPIs to monitor the adequacy of benefits:

- Average level of income replacement benefits (paid by unemployment insurance) compared with the average wage and/or poverty line;
- Number of beneficiaries exhausting unemployment benefits;
- Share of unemployed workers returning to work within the period covered by unemployment insurance.

Operational and administrative matters: All aspects of the delivery of unemployment insurance benefits can be measured to some degree, and the focus should be on those elements that best reflect the main objectives of the scheme.

Examples of appropriate KPIs to monitor key operational and administrative matters:

- Speed of service when processing EI claims for benefits and also payment of benefits;
- Accuracy of benefits, gauged by the results of ongoing quality monitoring programmes (see section 3.11 on quality control monitoring systems);
- Percentage of employers failing to remit contributions on time.

Financial matters: From a financial perspective (actuarial experiences), monitoring could look at the sustainability of the EI fund and other financial issues.

Examples of appropriate KPIs to monitor the financial aspects of the EI scheme:

- Financial and/or reserve ration;
- Administrative costs (compared to the contributory wage base); and
- Real rate of return on investment.

Satisfaction of clients: The focus is on client service, which is the main reason for the existence of EI scheme staff, and customer satisfaction is of paramount importance. There are different methods for obtaining feedback from the main stakeholders of the EI scheme:

Employer clients:

- Internet/website: question of the day and online surveys;
- Conduct telephone surveys; and
- Invite feedback from employers after newspaper articles or television programmes on unemployment insurance.

Worker clients:

- Send paper questionnaires to worker groups;
- E-mail feedback requests to insured persons applying for benefits; and
- Ask insured persons applying for benefit at local office to complete survey or questionnaire.

Staff:

- Performance evaluation meetings;
- Weekly staff meetings; and
- Suggestion box.

Supervisors and managers:

- Feedback from clients enquiring at local offices or call centre;
- Management meetings; and
- Attendance at workshops.

Other stakeholders:

- Yearly national or regional workshops;
- Tripartite meetings; and

- Surveys dealing with their area of expertise.

Other interested departments:

- Ongoing meetings between integrated services;
- E-mails between partner management teams; and
- Ongoing workshops on EI issues.

Evaluations are also an important part of the M&E process. After the implementation of an EI scheme, a full evaluation should be conducted three to six months after the implementation of the scheme. It is preferable to have someone identified as a leader for the evaluation who is not part of the new institution or ministry, so as to ensure objectivity and transparency.

3.11. Other quality control monitoring systems

Most countries with existing social security schemes have established quality control programmes to measure the quality of work by social security staff. There are two main areas for monitoring of staff functions: (i) the accuracy of the payment of benefits; and (ii) the accuracy of decision-making processes. Various methods have been utilized, and the following are three suggestions for establishing an effective quality control monitoring system:

- Monitoring programme entitled “EI Benefit Payment Accuracy Review” (EIBPAR);
- Monitoring programme entitled “EI Processing Accuracy Review” (EIPAR); and
- 100 per cent monitoring of new staff when hired or when new legislation is introduced.

EIBPAR monitoring focuses on the actual payment to beneficiaries and whether or not this payment was: (i) paid correctly or (ii) paid incorrectly, which adversely impacted on the payment and led to an overpayment or underpayment.

EIBPAR monitoring consists of selecting a random number of claims processed per year (to be determined by an actuary). The review is recommended to be carried out by a Quality Monitoring and Training Expert (QMTE) located at each full-service processing office (unless a similar position has already been created). Each review would provide detailed information on the causes and monetary value of undetected errors at the time a decision is rendered.

Results are calculated on a monthly basis as well as providing year-end results. A final report could be sent to the minister outlining the results of the accuracy of payments made under the social security scheme and the new institution. In some countries, the monitoring of the accuracy of social security payments are identified as a KPI and reported formally to the government and the public via agreed upon reporting mechanisms.

EIPAR monitoring is also a monitoring programme that reviews a random selection of claims per month by the QMTE (or equivalent). It verifies that applications for social security benefits at the new institution are adjudicated and calculated according to the manual of procedures. This type of monitoring measures the percentage of claims considered “in order with no errors or omissions”. A claim is considered to be “in order” when all criteria relevant to the review of the claim has been met. The QMTE plays an important role in conducting the monitoring and identifying the causes of errors in the processing system. A report by the QMTE could be sent to the manager highlighting potential training needs or the need to deal with administrative problems.

Monitoring of new staff or passage of new legislation requires a full review of all decisions prior to the payment of benefit. Once the monitoring of a claim for benefit has been completed and all necessary corrections have been addressed, the claim can be finalized. Weekly reports on all monitoring activities continues until the staff member demonstrates he/she has acquired the necessary knowledge and skills to effectively and accurately process claims for benefit.

3.12. Investigation and control department

Most countries who have implemented unemployment protection schemes have an investigation and control unit to ensure the integrity of the EI fund. In some cases, the unit will represent all unemployment protection schemes in the country, while others have a designated investigation and control unit specifically for the EI scheme. The need for an investigation and control department is highlighted in tip box 2.

► Box 2. Why do we need an investigation and control department/unit?

Social security benefit programmes, such as those for the unemployed, can easily be misused – either wilfully or by error. Experience has shown that a few questionable individuals will expend considerable resources to find ways of circumventing legislation and controls. Such misuse can be the result of external or internal fraud. For instance, qualifying conditions of social security programmes to support those unemployed with no income can also be easily manipulated, creating a situation of overlapping of benefits and resources. Fictitious employers and contribution records can be created for the purpose of systematically defrauding a social security system, sometimes even involving organized criminal groups. Some employers and workers might collude to gain social security benefits that should not be paid.

For example, the countries with EI schemes in the ILO (2013) study *Comparative Review of Unemployment Insurance Experiences in Asia and Worldwide* have thus found it essential to invest significant resources and effort to control misuse and abuse.

Internally, adequate controls on the authority to pay benefits by authorized staff will be essential, as will controls to ensure the safety, privacy and protection of information.

Some countries use a centralized unit to conduct investigations into several departments, such as labour issues and employment law evasions. However, Viet Nam reported that the investigations involved with specific EI abuse will sometimes suffer lengthy delays or no action taken due to lack of staff and the prioritization of other investigations (Carter 2011).

The legal provisions should include the establishment of an investigation and control department to investigate possible abuse of and fraud in the scheme. This includes linkages with other department collaborators who are involved in social protection schemes. Also, investigation and control officers should have the authority to enter an employer's premises to review the company's accounting books for social security benefits as well as other pertinent information.

Most countries also establish legal provisions for the creation of offences and penalties for contravening programme requirements and making false statements. Fraudulent claims for benefit, submitting false insurable employment, receiving benefits while outside the country, and making misleading statements concerning qualifying conditions are some of the situations that require the imposition of sanctions. Every country has various legal provisions establishing appropriate penalties such as:

- issuing warnings for first offenses where the false statement or fraud situation does not involve payment of benefit;
- administrative penalties (including repayment of the benefits to which the beneficiary was not entitled); and
- ultimately a jail sentence.

The investigation and control unit will also have the responsibility towards the issue of prevention as well as detection of fraud. This unit will sometimes conduct interviews with beneficiaries who might have questionable intent, although not necessarily to commit fraud, and might also investigate beneficiaries who have spent a lengthy period of time on active claim while looking for jobs in an area where many jobs are available.

3.13. Appeals

Conventions Nos 102 and Convention 168 both lay down rights of appeal to deal with disputes with respect to the right to benefits or their amount (see tip box 3).

► Box 3. Rights of appeal

Convention No. 102, Article 70(1), states: “Every claimant shall have a right of appeal in case of refusal of the benefit or complaint as to its quality or quantity.”

Convention No. 168, Article 27, states:

- In the event of refusal, withdrawal, suspension or reduction of benefit or dispute as to its amount, claimants shall have the right to present a complaint to the body. They shall be informed in writing of the procedure available, which shall be simple and rapid.
- The appeal procedure shall enable the claimant, in accordance with national law and practice, to be represented or assisted by a qualified person of the claimant’s choice or by a delegate of a representative workers’ organization or by a delegate of an organization representative of protected persons.

Complaint and appeal mechanisms enable persons covered by an EI scheme to lodge a grievance regarding a decision of the administration concerning the quantity or quality of an unemployment benefit or refusal to grant this benefit. It is the right of an unemployed worker to appeal the decision made by department officers. It should be noted that employers also have the right to appeal decisions, as they have a direct interest as a major stakeholder of the EI fund.

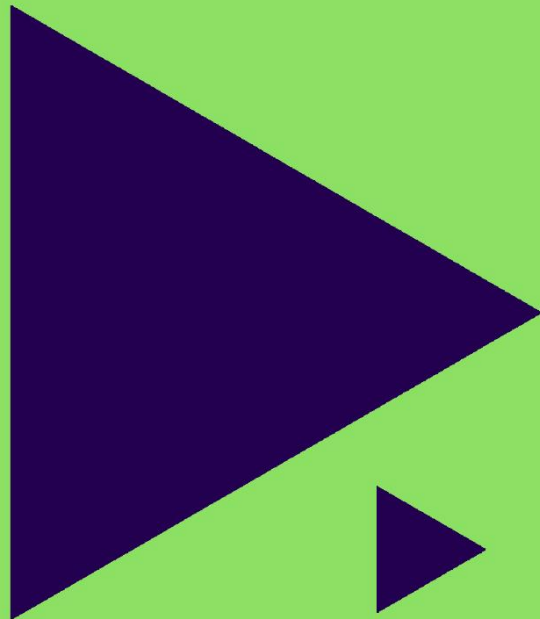
Generally, the complaint and appeal mechanism follows a review process that first involves an administrative appeal, followed by a judicial review:

- A complaint is filed by the unemployed worker or employer and is accepted by the designated department responsible for the initial decision of non-entitlement. Sometimes the review of this complaint is carried out by a higher authority than that which decided in the first instance, or alternately a review team reviews the complaint.
- if there is no change to the decision after reviewing the complaint, the procedure for appeal against the initial decision of this administrative authority should exist and be dealt with by some type of tribunal.
- A further right to appeal to a higher authority may exist in some countries. The higher the level of appeal, the more highly qualified the tribunal members need to be.

It should be noted that complaint and appeal mechanisms must be impartial/independent, fair, transparent, effective, simple, rapid, financially and geographically accessible, and aware of the obstacles or limitations that a person may face.



Workflow processes



4.1. Sample workflows of social protection programmes globally

In most cases, countries throughout the world will implement a number of social protection programmes prior to the implementation of an EI scheme. Usually, pension, worker injury and maternity programmes have already been implemented previously. As mentioned earlier, in the case of Indonesia, BPJS Ketenagakerjaan already implements employment injury benefits (JKK), death benefits (JKM), old-age benefits (JHT) and pension benefits (JP).

There are significant paybacks to having existing social protection programmes in place prior to the implementation of an EI scheme, including the following:

- Implementation of the EI scheme can build on the existing IT system, thereby reducing costs.
- BPJS Ketenagakerjaan already registers employers as well as collects contributions for the above-mentioned social protection programmes, and therefore EI implementation would simply add to the existing collection of contributions.
- BPJS Ketenagakerjaan has a network of offices with front end services for claims taking and all staff are trained to receive and check applications for benefits. The EI implementation would utilize these staff members to also receive and check EI applications for benefit as well as receive the termination notice given to the unemployed worker by the employer.
- BPJS Ketenagakerjaan will be required to establish a back end processing unit for EI applications for benefits. This will require significant resources in order to ensure the unemployed worker meets the qualifying conditions of the required number of contributions and to address the reason for separation (quitting and fired workers will require additional factfinding). However, the fact that front end services are already essentially in place allows for back end processing to be addressed as a priority and at a lower overall cost.
- BPJS Ketenagakerjaan has a payment system for the existing social protection programmes, which can be used by the EI scheme.

4.2. Recommended workflow for EI benefit claims

Table 4 lays out the recommended workflow for processing EI benefit claims. This workflow should be complemented by the employment insurance operational flow found in Appendix VI, which showcases the flow between different institutions, the employer, and the unemployed worker.

► **Table 4. Proposed workflow for EI benefit claims processing**

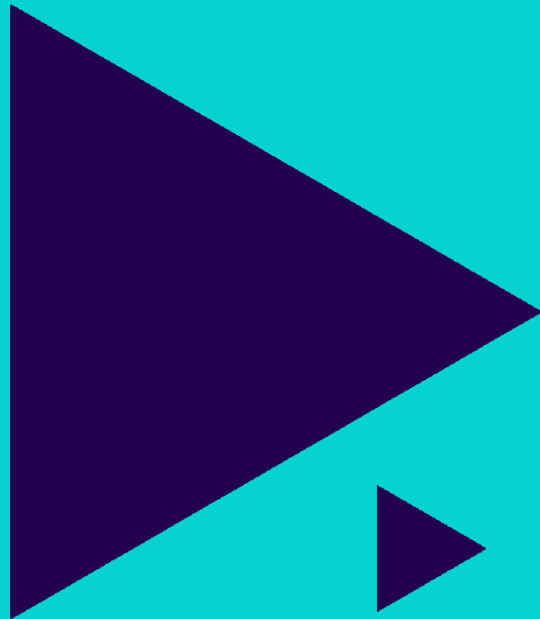
No.	Operational workflow	Details
1. When starting a business and hiring workers (labour Issues)		
1.1	Register employers for hiring workers (only for the first time)	Employer submits details of employees to MOM, Industrial Relations.
1.2	Inform MOM about new employees (whenever hiring)	Employer submits details of new employees to MOM, Industrial Relations.
2. Registration of employers and collection of contributions		
2.1	Register employers for contribution collection (only for the first time)	Employer submits details of employees to BPJS Ketenagakerjaan, which will be involved in the collection of contributions (NOTE: at the time of the “start date” for the collection of contributions for the EI scheme (JKP), employers already involved in existing social protection schemes will not need to be re-registered).

No.	Operational workflow	Details
2.2	Register employees for the collection of contributions: hiring after the “go live” date for collecting contributions	Employer submits details of new employees to BPJS Ketenagakerjaan after the “go live” date for collecting contributions.
2.3	Collect contributions from employers on behalf of employees and employers	Employer will pay contributions to BPJS Ketenagakerjaan or appropriate bank (contributions will be collected for the four existing social protection programmes –JKK, JKM, JHT and JP – in addition to the EI scheme).
3. When terminating employment and claiming EI benefits		
3.1	The employer provides the unemployed worker with a Letter of Termination	A Letter of Termination will actually be required for two departments: i. MOM Industrial Relations, to track new hirings and firings; ii. BPJS Ketenagakerjaan for EI claims processing with detailed information on reason for separation and additional monies paid on separation, It is suggested that a template be developed for the Letter of Termination which will include information for MOM Industrial Relations and BPJS Ketenagakerjaan. The template could be downloaded from the website; the employer could then complete the template and send a copy to MOM Industrial Relations and provide the terminated worker with a copy to take to BPJS Ketenagakerjaan. The employer and worker can agree on the terms of the Letter of Termination initially (negotiated settlement) or they can request mediators from the local manpower office to assist (mediated settlement), or they can refer the situation to the Labour Relations Court.
3.2	Registration of unemployed worker for employment	Most countries require an unemployed worker to first register with public employment services (PES) prior to filing for EI benefits. PES officer will provide counselling and possible referrals to suitable jobs. PES officer provides unemployed workers with confirmation of visit to PES (need to look at alternatives such as providing a card with confirmation information; to be discussed with PES and BPJS Ketenagakerjaan).
3.3	Letter of termination given by worker to BPJS at the time of applying for EI benefits.	See step 3.1 above for further details.
3.4	Application for EI benefits	The unemployed worker who wishes to receive EI benefits must file an application for EI benefits at a BPJS office (full or partial services office), which will be checked by a BPJS clerk for full information. All clerks are trained in accepting the four existing social protection schemes (JKK, JKM, JHT and JP) as well as how to receive applications for EI benefits (JKP)
3.5	Register EI application and set up claim docket	Most countries register EI claims in order keep statistical information on each EI application received and processed.
3.6	Review and assess EI application for benefits	An assessment unit comprised of Insurance Officers will assess the claim to determine if additional information is required from the employer or unemployed worker to determine entitlement to EI benefits.

No.	Operational workflow	Details
3.7	Make final decision on payment of EI benefits (or issue notice of non-entitlement along with appeal procedures)	Based on the information received from the employer and unemployed worker, the Insurance Officer for the EI scheme will make final decision. Either an electronic notice or a claim docket will be sent for the payment of benefits or the issuance of a non-entitlement letter.
3.8	Payment of benefit	To be determined – bank or cash. Will usually follow the procedures for the existing social protection schemes.
4. Continuation of EI benefits on a monthly basis		
4.1	Conduct mandatory monthly meetings for job searching activities	Need to schedule these meetings on a monthly basis – scheduling could be done using national ID number or other means. If unemployed worker fails to report for interview, PES counsellor must notify BPJS officer and recommend disqualification from receiving EI benefits.
4.2	Counsellors (MOM – PES) should conduct mandatory monthly meetings	It is recommended that Counsellors are assigned the responsibility of conducting mandatory monthly meetings with EI beneficiaries.
4.3	Provide counselling and possible referrals to suitable jobs and/or training during monthly meetings	The MOM PES counsellor will provide assistance to the beneficiary so they may return to work as quickly as possible. The Mom PES counsellor may refer the beneficiary to MOM DG Training for training.
4.4	Notify BPJS of any disqualifying conditions	If a beneficiary is offered employment and refuses the job offer, the counsellor will contact the BPJS officer to advise of the refusal and also submit labour force information to support the issue of the “suitability” of the job offer. The BPJS officer will then consider the suitability of the job offer and if it is determined that it is suitable, the reason for refusing the job will be considered. If the beneficiary does not demonstrate good cause for refusing, they will be disentitled from further EI benefits. The same rationale applies to beneficiaries who quit a course of instruction or who are frequently absent from such a course.
5. Referrals to training		
5.1	Beneficiary meets with PES counsellor to discuss possible referral to a training course and referral is made to DG Training.	Courses should be limited to 3 to 12 months. PES counsellor will refer beneficiary to MOM DG Training for selection and referral to an approved training course.
5.2	Beneficiary meets with MOM DG Training counsellor to discuss the possibility of being referred to a training course.	MOM DG Training counsellor will determine if beneficiary meets the conditions for referral to a training course; the counsellor must check to ensure the unemployed worker is currently collecting EI benefits.

► 5

Risks, mitigation and costs



5.1. Risks and mitigation

Anyone involved in project management is aware of the need to effectively deal with risks and to develop mitigation strategies to ensure an effective implementation.

For the Indonesian implementation of an EI scheme, this report focuses on the operational risks associated with this endeavour as this is an institutional/operational report. However, it is important to note that there are other risks, so called “scheme risks” that are not covered in this report. But in a scheme-wide risk management analysis, all scheme risks should be considered. It will be the responsibility of all institutions to ensure a proper analysis is completed to highlight other significant risks and mitigating strategies.

To assist with this analysis, it is highly recommended that countries planning on implementing an EI scheme read the International Social Security Association/ILO *Guidelines for Actuarial Work for Social Security*, which has a special risk management section, with Guideline 33 (actuarial input into the management of operational risks) and Guideline 34 (actuarial input into the management of operational risks faced by the social security institution) being of particular relevance here.

The following is a list of potential high and medium risks associated with the implementation of an EI scheme, along with mitigating strategies. The list is not all encompassing, and other areas that may be considered, such as disaster recovery and data privacy as well as human resource issues. It will be the responsibility of the Government to ensure all risks are considered, and it is recommended that a special sub-committee representing the major institutions develops risk management plans.

5.1.1. The COVID-19 pandemic (very high degree of risk)

The ILO has consistently recommended to countries interested in implementing a mandatory unemployment/employment scheme to do so in good economic periods and in periods free from any crisis. At this time, we are experiencing worldwide the adverse impacts of the COVID-19 virus. As of 13 January 2021, the Worldometer report on cases of COVID-19 listed Indonesia as having the 20th highest rate of COVID-19 cases in the world.

According to *The Jakarta Post* (2020), President Widodo hopes the national COVID-19 vaccination programme will begin in January 2021. He further said the vaccination programme aimed to reach 70 per cent of the Indonesian population – or around 182 million people. The vaccination of that proportion of the population would, it is believed, ensure herd immunity. In the same article, Finance Minister Sri Mulyani Indrawati said that “the Health Ministry had the money to procure 3 million doses of a coronavirus vaccine from China’s Sinovac Biotech Limited, as well 100,000 doses from CanSino Biologics. The vaccine procurement will take years to complete, from 2020 to 2021 and 2022”.

Mitigation of COVID-19 virus pandemic: It is recommended to postpone the implementation of a new EI scheme until health authorities indicate the achievement of herd immunity for Indonesia from the COVID-19 virus and possibly beyond that date.

5.1.2. Population and geography of Indonesia (medium degree of risk)

Indonesia has the fourth-largest population in the world. In addition, there are 18,000+ islands (6,000 populated). Both of these factors present challenges to the effective implementation of a new EI scheme.

Mitigation of population and geography of Indonesia: Instead of a full implementation of the new EI scheme, it is suggested to establish pilot sites in 2–4 or more offices initially (possibly two full-service offices and two partial service offices in the same district).

5.1.3. Decentralization of government institutions (high degree of risk)

Nasution (2016, 1) notes: “through laws No. 22/1999 and No. 25/1999, the central government abruptly transferred political authorities and financial resources to the third level of government of Indonesia”. This bypassed the second level of government, namely the provinces.

Nasution (2016, 1) goes on to say:

These two laws decentralized political and economic powers away from the central government after decades of highly centralized and autocratic rule. Bypassing the provincial government, the laws provide districts (kabupaten) and municipalities (kota) at the sub provincial level, with greater involvement in the management of their day-to-day affairs and in the provision of public goods to satisfy regional interests, and it was hoped this would result in better local service delivery. Laws No. 22/1999 and No. 32/2004 give authority to local governments to execute a wide range of responsibilities in areas such as health, education, public works, environment, communication, transport, agriculture, manufacturing industry and trade, capital investment, land, cooperatives, labor force, and infrastructure services.

During a conference call for this feasibility study, BPJS Ketenagakerjaan expressed concern over the decentralized nature of Indonesia and the impact this may have on the success of the implementation of an EI scheme in Indonesia. Decentralization, they said, will present difficulties in rolling out the implementation under the direction of three levels of government.

Mitigation of decentralization: Consideration should be given to including local and provincial governments in the National Implementation Steering Committee so as to represent their interests in the implementation of the EI scheme. In addition, consideration should be given to conducting up to four pilot sites representing national, provincial and local concerns, and also to test the linkages between full and partial offices (and the transporting of EI claims for benefit from small offices to larger processing offices).

5.1.4. Letter of termination (high degree of risk)

Currently, Indonesia's principal labour law – Law No. 13/2003 on Manpower – distinguishes between two types of employment: (i) employment for a fixed term; and (ii) permanent employment of indefinite duration. There are, therefore, two situations where workers could be entitled to termination payments: (i) a worker engaged in permanent employment of indefinite duration has their employment terminated; or (ii) a worker engaged in employment for a fixed term is terminated before the end of their fixed term contract. In these cases, there is a process between the employer and the worker concerning termination payments. This process includes:

Negotiated settlement: The employer and the terminated worker agree to the reason for termination and the termination payments due. In this case, the employer issues the Letter of Termination to the MOM Industrial Relations; the letter outlines the reason for termination along with the termination payments due. Workers who voluntarily quit their position or who were employed for a fixed term and completed that term do not receive termination payments and no Letter of Termination is issued.

Mediated settlement: If the employer and the terminated worker cannot agree on a negotiated settlement, the case is referred to mediators at local manpower offices to mediate and provide recommendations to them. As a result, if the worker and the employer agree to the mediated terms, the employer issues the Letter of Termination to MOM Industrial Relations. However, if the worker and employer do not agree, either the employer or the worker can file a case at the Industrial Court. During the prosecution at the Industrial Court, the employer will be compelled to continue payment of wages until the court decision is made. In this case, the worker will not have been terminated until the court decision is made, and therefore, separation pay (and the Letter of Termination) will be provided only when the Industrial Court concludes the conditions of termination.

It should be noted that, currently, terminated workers could be entitled to JHT (old-age savings account) payments. Therefore, workers could provide BPJS Ketenagakerjaan with a Letter of Termination in order to apply for JHT benefits. However, once the EI system is enacted, BPJS Ketenagakerjaan will also require some form of “Letter of Termination” or “record of employment” with information on the reason for separation and monies on separation before the EI claim can be finalized. Most countries view the record of employment or Letter of Termination as the most important document for the EI system in processing EI claims for benefit. It will be necessary to develop an additional Letter of Termination or a record of employment for BPJS Ketenagakerjaan to process EI claims. It will be recommended, however, to develop a template for employers to complete one Letter of Termination for both BPJS Ketenagakerjaan and MOM Industrial Relations if possible (with input from MOM and BPJS Ketenagakerjaan).

Mitigation of the Letter of Termination or record of employment: There are two ways of dealing with the Letter of Termination/record of employment:

- Continue the current process of the employer completing the Letter of Termination and providing it to the worker or MOM Industrial Relations, but have them also complete a record of employment to give to the worker, who will take it to BPJS Ketenagakerjaan; or
- Develop a template Letter of Termination to be used by both MOM Industrial Relations and BPJS Ketenagakerjaan (through the worker).

If the second option is utilized, the template would request information for MOM Industrial Relations and BPJS Ketenagakerjaan. The employer could still send the completed template to MOM Industrial Relations and also give a copy to the worker for BPJS Ketenagakerjaan. The template could possibly be downloaded from the MOM or BPJS Ketenagakerjaan websites. There would need to be security issues worked out to avoid fraud (such as having serial numbers on each template and a usercode/password to download the template). These issues would need to be discussed by a sub-committee of the national steering committee and/or by MOM Social Security.

In either case, it will be necessary to have a significant awareness campaign for employers and workers and explain the process around the Letter of Termination/record of employment and entitlement to termination payments. Employers could assist with the awareness campaign by working with MOM/BPJS Ketenagakerjaan communication experts to provide workshops for employers in their area.

Also, the Government of Indonesia will need to decide how to treat termination payments, including whether or not such payments will have impact on the payment of EI benefits, such as possibly delaying the start date of the EI claim.

5.1.5. New administrative functions for employment (high degree of risk)

There will be two new functions under the EI scheme with a focus on employment:

- the unemployed worker who has been terminated from employment must immediately register for employment at a public employment service (PES) office before applying for EI benefits; and
- once it is determined that the unemployed worker qualifies for EI benefit, he/she must report to the PES on a monthly basis to discuss their jobseeking activities and to receive advice and guidance as well as possible referral to suitable jobs.

These new functions will have significant impact on increases to staffing in order to carry out these regular controls to prevent fraud.

Mitigation of new administrative functions for employment: Adequate staffing to carry out these new functions will be critical to the success of the implementation of the EI scheme for Indonesia. This will have an impact on full service and partial service offices. It is possible that many unemployed workers will be required to report in person to the local PES office in both instances, but it is possible that in rural and remote areas that telephone interviews could be conducted with the unemployed worker. One issue that needs to be addressed is the linkage between PES and BPJS Ketenagakerjaan concerning the registration of employment and also the results of monthly meetings.

5.1.6. Compatibility of IT Systems with MOM and BPJS Ketenagakerjaan (high degree of risk)

According to the Information Technology Director at the MOM, the Ministry and BPJS Ketenagakerjaan have an agreement to integrate the registration of unemployment data. She added that, from a systems point of view, the MOM is ready to assume responsibility for the additional tasks on implementing an EI scheme for Indonesia. Currently, they are on standby until the workflow is agreed between the different MOM directorates and BPJS Ketenagakerjaan.

Regarding the compatibility of the two systems – BPJS' system and MOM's SISNAKER system – The Information Technology Director commented that the unique ID that workers use to register with SISNAKER and that MOM uses for workflows is the NIK (National Population Number). The BPJS Ketenagakerjaan system also uses this unique ID number, but she was unsure of the readiness of BPJS systems for the implementation of an EI scheme. Within the MOM, the SISNAKER system is already integrated for the different MOM directorates, namely DG Employment and DG Training. However, there is no current integration with BPJS Ketenagakerjaan. Even so, the MOM can access the information that BPJS Ketenagakerjaan has through the WLKP (Mandatory Reporting for Employers' Workforce) web-service.

Mitigation of compatibility of IT systems between MOM and BPJS Ketenagakerjaan: The MOM has acknowledged the need for further discussion with BPJS Ketenagakerjaan on the establishment of strong linkages for the successful implementation of a new EI scheme for Indonesia. The MOM has recommended to use the Ministry's SISNAKER system between the two institutions to share information, but it must be compatible with the existing BPJS Ketenagakerjaan system that is used to process claims for JKK, JKM, JHT and JP benefits (as well as the upcoming JKP benefit).

It is strongly recommended that a special sub-group of the National Implementation Steering Committee Working Group (or MOM Social Security) be established to ensure the compatibility of these two important IT systems. Consideration should also be given to the development of the "Single Window Initiative" to integrate some functions between the two institutions for effective client service.

5.2. Costs

Decisions will need to be made on a number of issues before an estimate of costs can be developed by the various institutions. Some of these decisions are:

- Will Indonesia adopt a "single windows initiative" wherein the MOM and BPJS Ketenagakerjaan share premises or integrate to provide services for employment and a return to work quickly as well as unemployment protection through an EI system?
- Will there be a need for additional locations or expansion of existing offices for expanded staff and possible co-location?
- How many claims will be received at the various district offices for processing?

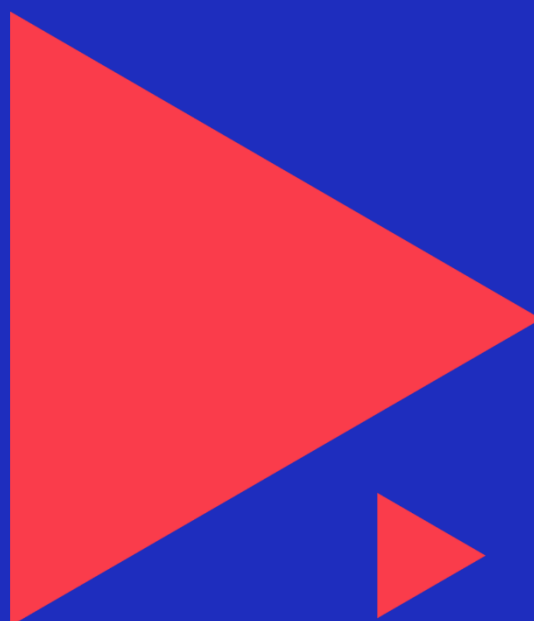
Also, what will be the impact of the new EI system on existing staff? For example, the various duties of BPJS Ketenagakerjaan are expected in the processing of EI claims for benefit, and their cost implications may be varied.

- Registration of employers: minimal impact;
- Collection of contributions: minimal impact;
- Receiving applications for EI benefits: minimal impact;
- Processing applications for EI benefits: substantial impact;
- Payment of EI benefits: minimal impact; and
- Continuing claims: decisions needed from decision-makers on results of jobseeking interviews (for example, availability in question or refusal of suitable employment): medium impact.

It should be noted that many countries consider substantially increasing the number of staff for processing of claims for EI benefit because of the nature of the decision-making and factfinding required in most EI claims (especially “quitters” and “dismissals”).



Conclusion



This report highlights the challenges and issues that need to be addressed in order to implement an effective employment insurance system for Indonesia. There will be two main institutions sharing the responsibility to manage the EI programme – BPJS Ketenagakerjaan and the Ministry of Manpower.

BPJS Ketenagakerjaan is currently responsible for four social security programmes: employment injury benefits (JKK), death benefits (JKM), old-age benefits (JHT) and pension benefits (JP). This experience will benefit BPJS Ketenagakerjaan in minimizing some of the work for the implementation of an EI scheme. However, the amount of administrative work to run an EI system is more substantial than it is for the current four programmes. It is possible that over 1 million EI claims will be filed in the first year after implementation, which is far greater than three of the existing programmes. In the case of the fourth – JHT – BPJS Ketenagakerjaan processed over 1.8 million claims in 2017, but the number of interventions with clients and the administrative details are both more substantial with the EI scheme.

The Ministry of Manpower will be the focal point for employment activities to assist unemployed workers return to work as soon as possible. Finding suitable employment for unemployed workers is definitely a priority. Countries throughout the world show that a combination of unemployment benefits and policies to support re-employment is the most effective mechanism to protect the unemployed and their families against poverty. These measures are called Active Labour Market Policies (ALMPs). ALMPs in their broadest meaning are intended to assist individuals to find suitable employment as quickly as possible, and to keep it. Along with EI, they are not a solution to creating employment, but instead provide unemployed workers with additional tools to end their unemployment quickly and to participate as productive members of society.

ALMPs are desirable in principle to support both workers and employers. There is a continuous debate worldwide over what types of ALMPs are most effective in assisting the unemployed. Virtually all countries have minimal employment interventions to assist unemployed workers and employers, such as job referrals, job banks, labour market information, and résumé and job search workshops. These low-cost interventions can provide effective assistance. Other high-cost interventions such as training, counselling and mobility assistance should be implemented a few years after the implementation of the EI scheme to ensure the sustainability of the EI fund.

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Annex I. Organizational chart for Ministry of Manpower

Department	Sub-departments
Secretariat General	Bureau of Planning Bureau of Finance Bureau of Organization and Human Resources Bureau of Legal Affairs Bureau of General Affairs Bureau of International Affairs Bureau of Public Relations
Manpower Planning and Development Agency	Secretariat Centre for Employment Planning Centre for Employment Data and Information Centre for Employment Research and Development Centre for Employment Information Technology
Directorate General of Training and Productivity Development (Binalattas)	Secretariat Directorate of Standardization of Competency and Training Directorate of Institutional Training Development Directorate of Instructors and Trainers Development Directorate of Apprenticeship Directorate of Productivity
Directorate General of Employment Placement and Expansion (Binapenta & PKK)	Secretariat Directorate of Labour Market Development Directorate of Domestic Workers Placement Directorate for Migrant Workers Placement and Protection Directorate of Development and Expansion of Employment Opportunities Directorate of Control of the Use of Foreign Workers Centre for Work Market Development and Expansion of Employment Opportunities
Directorate General of Industrial Relations and Social Security	Secretariat Directorate of Employment Norms Directorate of Wage Directorate of Social Security Directorate of Industrial Relations and Institutional Cooperation Directorate of Settlement of Industrial Disputes

Source: Compiled by the authors' from the Ministry of Manpower's [website](#).

Annex II. Inventory of the elements of a proposed law for an EI scheme

Preamble

Part 1 – Title and commencement, interpretation, purpose and application

- Short title and commencement
- Purpose
- Definitions
- Coverage

Part 2 – Establishment and management of the organization

- Establishment or link with existing organization and purpose of the organization
- Administration of the organization
- Board of directors
- Frequency of meetings
- Functions and duties of the board of directors
- Director General
- Audit

Part 3 – Establishment and administration of the programme and its funds

- Establishment and administration
- General responsibility of the State

Part 4 – Registration with the organization

- Registration of employers and beneficiaries
- Information to be provided to employers
- Information to be provided to beneficiaries

Part 5 – Benefits

- List and type of benefits (such as financial compensations, Active Labour Market Policies, health insurance coverage)
- Level and duration of benefits

Part 6 – Payment of benefit

- Qualifying conditions (reasons for job dismissal)

Part 7 – Claim process

- Notification of termination of employment or search for employment
- Claim procedures and modalities for payment of unemployment benefits
- Establishment of payment facilities and mechanisms
- Liabilities to return over-payment

Part 8 – Financing of the employment insurance fund

- Insurable income (definition of wage and earnings, consideration for overtime, allowances and bonus)
- Rate of contributions by employers and employees
- Responsibility for collecting contributions

- Responsibility of employers for deducting workers' contributions and for remitting them to the employment insurance scheme organization
- Time period for remitting contributions by employers
- Protection of employees in case the employer fails or neglects to remit contributions
- Responsibility for monitoring the public budget transfer and periodical actuarial reviews (especially before undertaking any reform of the system)

Part 9 – Revision and appeals

- Request for revision of initial decision of the employment insurance administration
- Claim to the national labour commission
- Appeal to the appellate court

Part 10 – Penalties and enforcement

- Penalty for non-payment or late payment of contributions
- Penalty for violation of the law
- Enforcement mechanisms

Part 11 – General and final provisions

- Contributions and benefits not subject to taxation
- Implementation plan
- Regulation

Note: The above is derived from ILO 2017.

Annex III. Sample outline of an EI scheme manual of procedures

Chapter	Details
Introduction	Implementation of an EI scheme in Indonesia; Brief history of EI schemes throughout the world; Outline of manual of procedures.
Acknowledgements	
Abbreviations	
Chapter 1 Coverage and contributions	Employment insurance coverage rules; Registration of employers; Collection of contributions; Penalties
Chapter 2 Registration for employment and applying for EI benefits	Letter of termination notice from employer to unemployed worker; Registration for employment by unemployed workers upon termination of employment; Applying for EI benefits with Letter of Termination; Other requested information; Creating client files
Chapter 3 Processing EI applications for benefit	Entitlement conditions; Assessment and calculation for EI claims for benefit; Decision-making process; Approval for payment; Non-entitlement to benefits; Issuance of EI payment
Chapter 4 Continuing claims	Requirement for unemployed worker to report monthly for jobseeking interview; Refusal of suitable employment; Refusal to attend interview; Non-availability; Penalties, overpayments, recoupment
Chapter 5 Active Labour Market Policies	Job matching and referrals; Attendance at resume writing or job search workshops; Mobility assistance; Counselling; Vocational and skills development training
Chapter 6 Appeals	Appeal boards; Appeal procedures; Federal courts
Chapter 7 Management reports	Statistical monthly reports (for example: claims processing activities); Statistical weekly reports (for example: list of outstanding claims)
Note: The above is derived from ILO 2017.	

Annex IV. Proposed Training Schedule for EI managers and staff

No.	Group	Training details
1	Training of trainers	Will require full training on policies, procedures and workflows of the employment insurance system; also will require training on overview sessions for those not directly involved in EI training.
2	Senior management at ministry or department level	Will require partial training with enhanced overview session, including management reports, monitoring activities, key performance indicators and operational indicators.
3	Local office managers	Will require full training on policies, procedures and workflows on the employment insurance system as well as training on management issues, such as reports, monitoring activities, performance indicators and operational indicators.
4	Staff: Assessors and decision-makers (back end)	Will require full training on policies, procedures and workflows on the employment insurance system as well as key performance indicators. Will also require training on computer system – input screens, enquiry and payment screens etc. Will also require soft skills training on how to conduct interviews and address enquiries in a professional manner.
5	Staff: Front end checking applications for EI benefit and responding to enquiries	Will require enhanced overview session, but include the chapter on claims taking and responding to enquiries, such as entitlement conditions and amount of payment. Will also require training on computer system – input screens, reading enquiry screens and payment screens. In addition, will require soft skills training on how to conduct interviews and address enquiries in a professional manner.
6	Call centre staff	Will require enhanced overview session with emphasis on responding to enquiries, such as entitlement conditions and amount of payment. Will also require training on computer screens – input screens, reading enquiry and payment screens.
7	Other clerical staff	Will require overview session.
8	Other departments and ministries	Will require overview sessions.
9	Other departments dealing with employment measures	Will require enhanced overview session emphasizing their role and what procedures will apply to them within the EI scheme.

Annex V. “S.M.A.R.T.” approach to setting key performance indicators

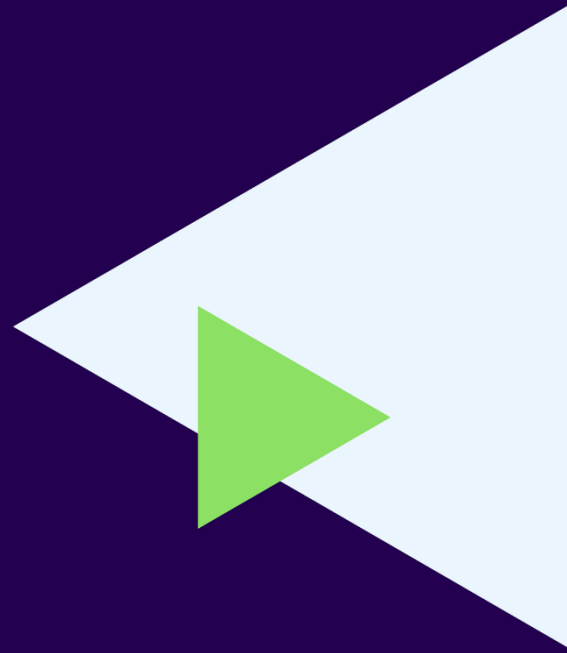
S.M.A.R.T.	Details
	Answer the five W's:
S = Specific	- Who is responsible, who is involved? - What do we want to accomplish? - When, over what period, do we want to achieve our results? - Where do we focus to achieve our goal? - Why, for what benefit, for what purpose?
M = Measurable	- How much time does it take? - How many units should we handle? - How do we measure this?
A = Attainable	- The goal must be realistic. - The person or unit in charge must be the right one, the one that can actually help to achieve the goal.
R = Relevant	- The goal must be worthwhile for the organization. - The goal must be of interest to other parties and stakeholders. - All of the important objectives must be covered.
T = Timely	- What is the target date? - How often do we report? - How quickly do we need to report this result?
Source: Doran 1981.	

Annex VI. Employment insurance operational flows

Operational flows / Institutions	Worker	Employer	BPJS	MOM HQ / Province / District / City		
				Industrial relations	PES	Training
1. When starting up business and hiring workers (labour issues)						
1.1. Register employers for hiring workers (only for the first time)		Submit		Receive		
1.2. Inform about new employees (whenever hiring)		Submit		Receive		
2. Registration of employers and collection of EI contributions						
2.1. Register employers for contribution collection (only for the first time)		Submit	Receive			
2.2. Register employees for paying contribution (whenever hiring)		Submit	Receive			
2.3. Collect contributions from employers on behalf of employees and employer		Pay	Receive			
3. When terminating employment and claiming EI benefits						
3.1. The employer provides the unemployed worker with a Letter of Termination outlining reason for separation and additional monies paid on separation, while copying local manpower offices	Receive	Submit		Copy		
3.2. Registration of unemployed worker for employment	Submit				Receive	
3.3. Letter of termination given by worker to BPJS at the time of applying for benefits	Submit		Receive			
3.4. Application for EI benefits	Submit		Receive			
3.5. Register EI application and set up claim docket			Register			
3.6. Review and assess EI application			Review			
3.7. Make final decision on payment of EI benefits (or issue notice of non-entitlement)			Approve			
3.8. Payment of benefit (bank or cash)	Receive		Pay			
4. Continuation of benefit payments on a monthly basis						
4.1. Counsellors conduct a mandatory monthly	Attend				Conduct	

meeting for job searching activities						
4.2. Provide counselling and possible referrals to suitable jobs and/or training					Refer	Receive
4.3. Notify BPJS of any disqualifying conditions			Receive		Notify	

Source: Authors' summary based on national dialogues and analysis.



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