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Indonesia

Restructuring of the social security system (Part 9)
ILO PROJECT INS/00/M04/NET

Review of operations and information technology systems of PT Jamsostek

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Table of contents

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List of figures

_____

Glossary

ASABRI	Social insurance system designed to provide pension and endowment insurance benefits to Indonesian Armed forces personnel *Asuransi Sosial Angatan Bersenjata Republik Indonesia*
ASKES	Health care schemes for government civil servants, their families and for government civil service retirees. It also provides health care service on behalf of Asabri for members of the armed forces and their families.
ASTEK	A state corporation (Perum) established in 1990 and responsible for Employees Social Security. Changed to JAMSOSTEK (Persero) in 1995.
BAPEL	The carrier of insurance for JAMSOSTEK
BAPPENAS	The National Development Planning agency
BPS	*Busan Pusat Statistik*. The National Statistics Agency in Indonesia
DEPNAKERTRANS	Depertamen Tenaga Kerja Dan Transmigrasi. Department of Manpower and Transmigration
DINAS KERJA	The provincial organization that has assumed the responsibilities of local Depnakertrans functions under regional autonomy. A Dinas is a district government organization.
JABOTABEK	*Ja*karta – *Bo*gor – *Ta*ngerang – *Bek*asi. The title given to the conglomeration of Jakarta and the surrounding cities.
JAMSOSTEK	*PT Jaminan Sosial Tenaga Kerja* (Perseo). The state corporation (Persero) established in 1990 and responsible for Employees Social Security. Changed to JAMSOSTEK from ASTEK in 1995.
KARTU TANDA PENDUDUK (KTP)	Personal Identity card issued by local administrations to all residents.
KARTU KELUAGA	Family identity card issued by local administrations to the head of the family.
LAN	Local Area Network
PERJAN	A Perjan is a non-profit oriented, government funded departmental agency that provides a specialized public service e.g. railways. The other government public company types are Persero and Perum
PERSERO	A Persero is a profit orientated, limited liability, state company where the government's capital is based on shares, 100 per cent of which are owned by the government. The Ministry of Finance acts as a shareholder and the Ministry of State Owned Enterprises is the authorized shareholder. The other state company types are Perjan and Perum.
PERUM	A Perum is a non-profit oriented, public utility company (e.g. electricity) that is not based on shares divisions
PT.	*Perusaan Terbatas* is the term used for a Limited Company, equivalent to Pty Ltd.
TASPEN	*Tabungan Asuransi Pegawai Negeri*; Annuity pensions and endowment insurance benefits scheme for government civil servants *Pensiun dan asuransi hari tua pagawai negeri sipil*
WAN	Wide Area Network

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1. Executive summary

1.1. Introduction

1.1.1   The project for *Restructuring of Social Security in Indonesia* is a continuation of the long ILO involvement in the social security reform process in Indonesia. The *Review of Operations and Information Systems* component of the project was focussed on Jamsostek (PT Jaminan Sosial Tenaga Kerja) with an aim to recommend improvements that should be made to position Jamsostek as the core agency to facilitate future reforms of social security in Indonesia.

1.1.2   The review analysed the existing organization, work processes, information systems and current and future strategic and operational plans as a basis for the recommendations. Extensive consultation was made with staff at all levels and with some of the major external stakeholders and users of Jamsostek services.

1.1.3   Over the past year Jamsostek has undertaken a number of major initiatives aimed at reforming the organization, its service to members and to improve its image in the community. Legislation is being prepared to improve investment performance by the creation of a trust fund managed by a tripartite board of commissioners that will report directly to the People's Assembly through a Minister. This will provide independence to the board and remove outside influences from their task of maximising investment return to members. The organisational structure has been improved to strengthen monitoring of performance, marketing and services to members.

1.1.4   The following recommendations are mainly targeted at the Information Systems area because many of the business processes impact directly on the computing environment and the summary recommendations are presented by group order. Full details of the observations and discussion that have produced these recommendations are contained in section 8 of the report.

1.2. Summary of recommendations

1.2.1.   Processes and administration

(i)   Registration process

1.2.1.1 The registration process should be re-engineered to become the prime function for new members and be able to perform the following tasks:

- obtain complete information about the member;
- establish the identity of each member by a standard process of sighting identity documents;
- conduct an index check to determine the existence of any previous record;
- enter and record the details of the member on the database;
- to ensure that appropriate procedures are initiated to advise the members of their rights and obligations of membership to the fund;
- to create any paper files and documentation that may be required for legal purposes; and
- contain appropriate system constraints to prevent the creation of duplicate records.

(ii)   Membership focus

1.2.1.2 The focus of membership in Jamsostek should be shifted towards the employee so that the employee is contacted directly and not via the employer for annual information of the members' record, deficiencies or non payments of contributions, non compliance, marketing, notification of changes and responses to member enquiries. All members should be aware of their rights and responsibilities of

membership in Jamsostek programs and the responsibilities for notification of changes in circumstances such as address, employment, should be with the employees. The focus of contribution collections should remain on employers.

(iii)   Compliance

1.2.1.3 The legislation and regulations for collection and enforcement of contributions should be amended to provide Jamsostek with all of the relevant delegations and authority in order to strengthen the compliance of membership and contributions to the fund. This should include amendment to Article 31 (1) of Act No. 3, 1992 to provide authority for Jamsostek inspectors to be empowered to enforce social security provisions. The appeals against enforcement decisions, disability benefits payments and work accident benefits may be separated to another agency to promote impartiality.

(iv)   Work injury reporting

1.2.1.4 The work injury reporting processes should be altered to place the responsibility with Jamsostek to screen and report workplace injuries to the Department of Manpower and Transmigration (Depnakertrans). The scale of reportable injuries should also be altered to those classified as the more serious injuries that may have resulted from unsafe work practices or environmental factors. The current range of carbonised forms for workplace injury reporting should be altered to reflect the actual reporting and forms distribution process.

(v)   Jamsostek marketing

1.2.1.5 Jamsostek should plan for a marketing exercise to be conducted to promote the changes that are to be made following the legislative changes and the acceptance of the IT strategic and development plans. The likely marketing strategy may include the new structural elements such as the trust fund legislation, new investment practices, focus on employee members, collection of employee contact addresses, Integration of records and compliance.

1.2.1.6 Should the compliance initiatives be successful, Jamsostek may also wish to consider an amnesty for employers who have not been making the correct contributions or who have failed to register. A cut-off date for the amnesty may encourage employers to correct their contribution rates prior to the commencement of enforcement action.

1.2.2.   Data management recommendations

(vi)   Unique Jamsostek membership number

1.2.2.1   Jamsostek should establish a unique employee membership number as the primary search element for membership record management. This number could be the existing employee member number or a newly created numbering system for internal use in Jamsostek. This number will facilitate the integration of existing records and to prevent the creation of further multiple records. In the future this number could be integrated with the proposed national identity number system and migrant workers tracking system.

(vii)   Record integration

1.2.2.2 The multiple records should be integrated into a single record that contains the current and historical data about each member. The amount of data available about employee members is limited and to achieve a high degree of integration it will be necessary to conduct a data collection exercise (initially through employers) to obtain the relevant information such as previous membership numbers, contact address etc, from employees.

(viii)   Data redundancy

1.2.2.2 The data architecture should be reviewed in order to eliminate data redundancy and the inclusion of additional essential data fields such as members address. The establishment of a common data record containing the fixed person data should be considered as an element of data architecture.

(ix)   Data management

1.2.2.4 The inactive records and the claimants' paid records should be separated from the active records and archived in the Branch Offices. This process will improve the data access performance of the frequently used active records in the Branch Offices and increase the available disk space.

(x)   National index

1.2.2.5 A national index of members should be created from the integrated membership records and be made accessible in all Jamsostek sites. This index, as a minimum requirement, must be able to identify individual employee members and employers and the location of their data records.

1.2.3.   Organizational recommendations

(xi)   IT Organization

1.2.3.1 The successful development and maintenance of IT systems is critical to the operations of Jamsostek and the achievement of its business goals. In recognition of the technical nature and to enhance the liaison and decision making process with the other directors, the management of the IT organization should be at directorate level and separated from the Finance Directorate.

1.2.3.2 The distributed IT architecture in Jamsostek has created critical processing points in the Branch offices where all data functions and processing are performed. The source of all data, maintenance and data integrity is performed by the Database Operators in each Branch Office site. The IT organization should be reviewed and the employment conditions for IT staff restructured to attract capable staff to fill all of the vacancies and maintain the critical data management positions in all sites.

1.2.3.3 IT development needs to be seen as an investment in the future and to fund the development it may be necessary to borrow from future expenditure. Successful IT developments will produce the efficiencies that result in the need for lower operational staffing numbers that can be offset against the increased staffing that will be required to manage the increase in membership and programs. It will also provide the opportunity to deliver a greater range of services to members and better control over membership, resources and management information.

(xii)   IT Development and maintenance

1.2.3.4 The staffing of the National IT section should be reviewed to expand the development component. The redevelopment of the Jamsostek systems will require a dedicated project team that is additional to, and separate from, the existing maintenance team in the IT section. The proposed systems re-development project should report to an executive steering committee.

(xiii)   IT Standards and procedures

1.2.3.5 Jamsostek should have documented standards and procedures for:

- IT project methodology and the preferred support tools,
- development methodology,
- data standards and data management,
- infrastructure development,

- fault reporting and management, and
- documentation maintenance and standards.

(xiv)   IT Training

1.2.3.6 The priority of IT training should be directed to establishing fully trained database administrators, data operators and relief staff in all Branch, Regional and the National offices.

(xv)   Business Re-engineering

1.2.3.7 A business re-engineering planning workshop should be conducted to review the business needs and the IT architecture in order to develop an IT strategic plan and development plan in order to implement the new processes. The re-engineering workshop should be supported by the findings of an international study tour that targets the key organizational and IT architectural issues and the completion of an inventory of existing systems and their functions. The business reengineering process should also incorporate the recommendations included in this report and the other specialist reports from the ILO project.

1.3.   Conclusion

1.3.1   Jamsostek is in a unique position to become a core element of an expanded social security system in Indonesia. It has a functional national network of offices that are geared to expansion as membership numbers increase. Together with an existing service delivery culture and its ability to extend services into the areas where members live are major strengths.

1.3.2   The major weaknesses in Jamsostek as the main social security delivery agency is the perception in the community about poor investment performance, inadequate benefits to members, low membership compliance and membership focussed on employers.

1.3.3   In order for Jamsostek to expand its membership base and social security programs, critical reforms need to be undertaken in the legislation, investments, compliance and changing the focus of membership from employers to employees. The IT systems will need to undergo major re-engineering to simplify membership management, eliminate duplicate memberships records, improve data management, strengthen processes, improve security and ensure value for money spent on IT.

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2. Introduction

2.1 Project background

2.1.1   The ILO has been closely involved in the development of social security in Indonesia for many years. Recent ILO project reports have recommended the need to restructure the social security system in order to extend the social security coverage to a larger percentage of the population.

2.1.2   A National Steering Committee was established by the Department of Manpower and Transmigration (Depnakertrans) in September 1999 to work with ILO specialists. This followed the strategic vision about employees' social security administration described in the *Guidelines of State policies Year 1999 – 2004*. The guidelines provided the aim: *To develop a system of employees social security for all workers to provide sufficient work protection, security and safety with management involving government, employers and employees*. A National Workshop on Restructuring of Social Security was held in Jakarta in November 1999 and a number of recommendations were made about the future direction of social security reform in Indonesia.

2.1.3   The key findings of the workshop can be broadly grouped in the following areas:

- redefining the role of the state and private agencies and the development of a national social security reform strategy,
- improvement of the scope and types of benefit programs and progressive extension of eligibility to the various schemes to the wider population, with Jamsostek as the core service delivery agency,
- strengthening the management, accountability, investment performance and service delivery standards of Jamsostek, and
- improvement of the compliance measures and public relations processes in Jamsostek.

2.1.4   The Information Technology (IT) component to review the operations and systems of Jamsostek is a part of the ILO project, *Restructuring of the Social Security in Indonesia* that commenced in April 2001. The immediate objectives of the ILO project relate to the establishment of a new institutional structure for the national social security scheme and for the development of a national strategic plan for the restructuring of the social security system.

2.2. Summary of activities

2.2.1   The focus of the IT review was on Jamsostek, the state owned limited liability company that delivers social security services to employees of private companies. The review of the IT administration and operations of Jamsostek required the close co-operation and involvement of a national IT expert counterpart and staff in the IT Section in Jamsostek. The counterparts and staff provided valuable support to the consultant in the all phases of the project, their cooperation and effort, particularly in addition to their considerable normal daily workloads was greatly appreciated.

2.2.2   The consultant made a detailed analysis of current operational processes at the National, Regional and Branch levels in Jamsostek. This analysis was conducted in conjunction with counterpart staff and included personal visits, observation and walkthroughs of the existing processes with staff. The staff and users needs and suggestions were taken into account in the analysis and the subsequent recommendations. The priority of effort of the review was a detailed study of the current computer

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systems and strategic plans for the IT systems. The recommendations for the enhancements to the IT systems and the strategic plan were made in conjunction with the IT Bureau.

2.3. Acknowledgements

2.3.1   The Director-General of the International Labour Office wishes to thank the President Director, Dr. A. Djunaidi and his staff for their cooperation, making available office space and facilities and, in particular, the support given to the IT review by the Director of Research and Development of Jamsostek, Mr. Bambang Purwoko MA PhD, IT Assistant Manager, Mr. Syami S. Syahrizzamzami, Ms. Amalia Artiningsih and Ms. Retno Widowati of the Computer Department, and Mr. Wendi Usino, National IT consultant.

2.3.2   Sincere appreciation is also extended to all of the staff in Jamsostek who gave full and frank information and excellent support to the consultant throughout the mission.

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3. Social security in Indonesia

3.1. General

3.1.1   Social security in Indonesia is generally available only to people in formal employment and who are obliged or entitled to participate in a variety of social insurance schemes. These schemes provide social insurance cover for retirement, work accident, health, maternity and death. The schemes are funded by contributions from employers, employees or combination of contributions from both.

3.1.2   The current social security provisions extend to employees of the military, civil service and private companies above a prescribed staff size and salary. The remainder of the population employed in smaller enterprises, self-employed in the informal employment sector and the unemployed or aged, rely on private insurance or support from immediate and extended families and the local community.

3.1.3   In the short term it is likely that social security provisions may be extended to include more of the people employed in the formal sector and the self-employed. In the medium term additional programs of unemployment benefits and social assistance to selected sectors of the population may be possible. It is most likely that the extension of social security entitlements to the entire population will be a long-term goal.

3.2. Social security responsibilities

3.2.1   Responsibility for different elements of the social security system rests with various government departments and public agencies. The Department of Manpower and Transmigration (Depnakertrans) is responsible for Labour legislation, for Jamsostek and the implementation of its related legislation. The Ministry of State Owned Enterprises is responsible for the oversight of all public limited liability companies[1] (Persero's like Jamsostek, Askes and Taspen). The Department of Finance is responsible for the supervision of insurance companies and private pensions schemes. The Department of Health and Social Welfare is responsible for the provision of Health care but Jamsostek and Askes implement health insurance schemes. Social welfare is the responsibility of the National Social Welfare Agency.

3.2.2   The present social security program has developed in a piecemeal, uncoordinated way. However the need for an integrated and nationally coordinated social security system has been recognised and the responsibility for reform of social security in Indonesia rests with two national co-coordinating Ministries. The Coordinating Ministry for Economy, Finance and Industry is responsible for issues relating to the restructuring of social security. The Coordinating Ministry for People's Welfare and Poverty Alleviation is responsible for efforts to empower the poor through poverty alleviation policies and has established a Social Security Reform Task Force to co-ordinate the reform process. This Task Force and the coordinating Ministries report to the President of the Republic of Indonesia. The social security responsibilities are illustrated in Figure 1.

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[1] The limited liability company types and their titles are defined in the Glossary at the beginning of the document

Figure 1.   Social security responsibilities

PRESIDENT Republic of Indonesia

Coordinating Ministry for the Economy, Finance & Industry	Coordinating Ministry for People's Welfare & Poverty Alleviation	National planning Agency BAPPENAS
Responsible for: • Issues relating to the restructure of Social Security in Indonesia	Responsible for: • Efforts to empower the poor through poverty alleviation policy	Responsible for: • Strategic planning and development in Indonesia

Social Security Reform Task Force

PEOPLE'S ASSEMBLY

Department of Manpower & Transmigration	Ministry Of State Owned Enterprises	Department of Finance	Department of Health	National Social Welfare Agency	Ministry of Defence
Responsible for: • Labour legislation • Supervision of JAMSOSTEK	Responsible for: • Oversight of public limited liability companies (Perseros)	Responsible for: • Supervision of Insurance companies & pension schemes	Responsible for: • Provision of Health Care (except Askes & Jamsostek)	Responsible for: • Provision of Social Welfare	Responsible for: • Provision of Pensions & Health Care for Armed Forces members

Supervision   Monitoring   Monitoring   Monitoring   Monitoring

Askes

Askes delivers Health Care Services on behalf of Asabri

Asabri (Health Care)

JAMSOSTEK

Responsible for delivery of social security programs to workers employed in "Legal Entity" workplaces

Private Pensions Funds   Private Insurance Companies

Taspen (Retirement)

3.3.   Government and private employees social security schemes

3.3.1   There are three major social security schemes operating in Indonesia and these schemes provide social insurance cover to civil servants employed in government departments, the armed forces (and defence civilian employees) and a limited group of private employees. Limited liability

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private companies manage the programs and schemes and they are over sighted by the Department of Finance as the authorised shareholder of the companies with the Minister of Finance as the single shareholder in each of the companies.

3.3.2 A summary of the existing social security systems, their legal entities, contributions, benefits and management institutions is shown in figure 2.

3.4. Department of manpower and transmigration (Depnakertrans)

3.4.1 Depnakertrans is the national government organization that is responsible for labour organization, employment, training and welfare. The organizational structure for Depnakertrans is shown in Annex 1.

3.4.2 The Minister of Manpower and Transmigration is responsible for the legislation and operational performance of Jamsostek. The Directorate General for Industrial Relations and Labour Standards (Binawas) performs the supervisory function and the key functions are:

- monitoring of membership compliance,
- monitoring the social security programs, and
- provision of labour inspectors to enforce compliance of social security programs by employers.

3.4.3 The major interaction between the agencies is in the area of labour inspection; a function authorised and performed in Depnakertrans. The labour inspectors perform the following functions:

- occupational health and safety inspection,
- workplace safety,
- post workplace injury inspections,
- contribution compliance inspections, and
- settlement of disputes between members and Jamsostek about membership, workplace injury entitlements and contributions demands.

3.5. Regional autonomy

3.5.1 In 1999 the regional autonomy legislation was approved with an effective implementation date of 1 January 2001. Regional autonomy provides for the devolution of national government Ministries and Departments to the provincial administrations and the legislation increased the number of provinces in Indonesia from 26 to 32. A map showing the provincial administrative boundaries is provided in Annex 2. The devolution includes the functions, responsibility, staff, property and resources of the Ministries and Departments. Public companies and utilities such as Jamsostek and five national Ministries[2] are exempted from the devolution process. The full impact of regional autonomy on the operations of Depnakertrans and its relationship with Jamsostek has not yet been fully established in all Provinces. Initial indications are that the major operational changes to Dinas are:

- the organisational structure,
- decisions are now mainly provincially based, and
- reporting is to provincial administrations.

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[2] The Ministries exempt from Regional Autonomy are Finance, Defence, Foreign Affairs, Justice and Religion.

3.5.2   The organization of a typical Depnaker local administration (known as Dinas) before and after the implementation of Regional autonomy is shown below.

Figure 2.   Depnaker organisation before regional autonomy
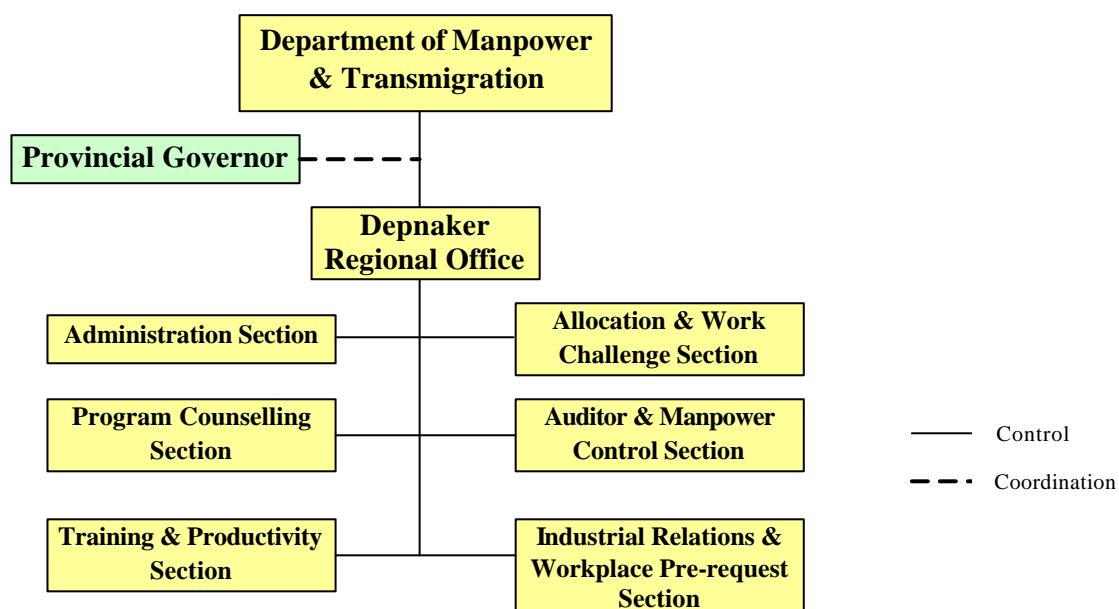
Figure 3.   Dinas organisation after regional autonomy
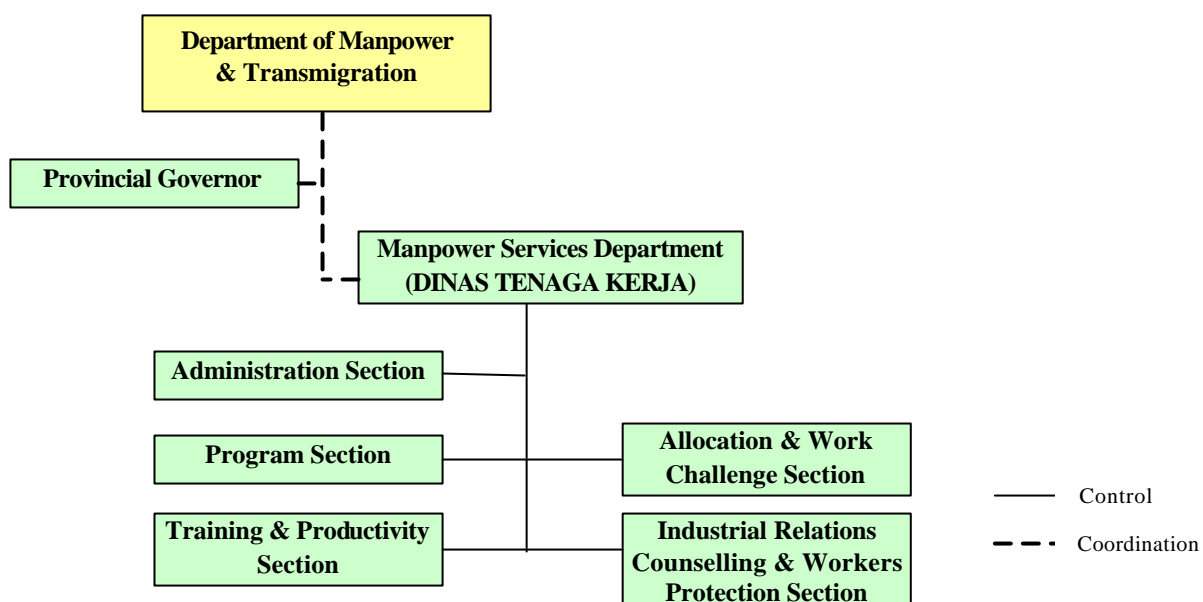
Figure 4. Indonesian social security system - overview

Overview of Indonesian social security system (Existing)										
Scheme	**Government employees schemes** Law No. 8/1974 on government personnel policy						**Private employees scheme** Law No. 14/1969 on basic manpower regulations			
Legal provision	**Armed Forces** Presidential Decree 8/1977			**Civil Servants** Presidential Decree 8/1977			**Jamsostek** Law No. 3/1992			
Program	Retirement Govt Reg No. 67/1991	Pension Law No. 6/1966	Health Care MOD Decree	Retirement Govt Reg No. 25/1981	Pension Law No. 11/1969	Health Care Govt Reg No. 69/1991	Work Accident	Old Age	Health Care	Death
Financial contribution — Employee	3.25%	4.75%	2.00%	3.25%	4.75%	2.00%		2.00%		
Financial contribution — Govt/ Employer		State Budget			State Budget		0.24% - 1.74%	3.70%	3.0% - 6.0%	0.30%
Benefits	Lump sum payment on retirement	Annuity benefit for life	Medical expenses, hospitalisation, maternity & medical equipment	Lump sum payment on retirement	Annuity benefit for life	Defined range of health care services	Transport, doctors, medicine, hospitalisation & disability	Lump sum payment of contribution plus interest	Ambulatory care, hospitalisation, & maternity	Death benefit & funeral
Institutions	PT Asabri, Govt Regulation No. 68/1991	PT Asabri	The Armed Forces Hospital/Askes	PT TAspen, Govt Regulation No. 26/1981	PT TAspen	PT Askes, Govt Regulation No. 6/1992	PT Jamsostek, Govt Regulation No. 36/1995	PT Jamsostek	PT Jamsostek (optional)	PT Jamsostek

4. Jamsostek organization

4.1. Background

4.1.1   In 1992 Jamsostek was inaugurated by assuming the social insurance functions of Astek (formed in 1977) and extending the range of programs provided by Astek from retirement and death benefits to include work accident insurance and health care. In 1993 the Jamsostek retirement programs, the range of eligible employees was extended from employers with at least 100 employees in addition to a monthly gross payroll of Rp. 5 million to employers having at least 10 staff and gross payroll of Rp. 1 million per month.

4.1.2   The limited company status of Jamsostek (Persero) also introduced a taxation liability on company profit (but not on investment earnings) that has served to limit the growth of investments and subsequent return to contributors. Some of the profit is returned to Jamsostek by the Ministry of Finance to support special worker programs and in 2001 this included funding for workers' hospitals. Legislation is being prepared to alter the status of Jamsostek from a Persero to a public trust managed by a tripartite board and the effect of this legislation will be to remove the taxation liability from the profit of the institution. The no profit income from investments is to be returned to members as increased benefits.

4.2. Jamsostek programs

4.2.1   Jamsostek is responsible for the administration of the following social insurance programs:

Retirement Program (Old – age Benefit Scheme)	**J**aminan **H**ari **T**ua	JHT
Accident Protection Program (Employment Accident Benefit Scheme)	**J**aminan **K**ecelakaan **K**erja	JKK
Life Program (Death Benefits Scheme)	**J**aminan **K**e**m**atian	JKM
Health Care Program (Health Care Benefit Scheme)	**J**aminan **P**emeliharaan **K**esehatan	JPK

4.2.2   The Retirement program is a provident fund based on individual accounts, providing for a variable rate of benefit based on the contributions and interest credited to the account over the life of the membership.

4.4.3   The remainder of the programs are provident funds based on group accounts that provide a standard fixed rate of benefits based on the legislation, regulations and decisions made by the board of management. A summary of the Jamsostek programs is shown in Figure 5.

Figure 5. Jamsostek programs overview

Jamsostek programs - overview				
	Programs and payments of benefits			
Program	**Retirement program**	**Life program**	**Accident protection**	**Health care**
Type of Scheme	Provident Fund	Death Benefits Scheme	Employment Accident Scheme	Health Care Scheme
Current Law	Provident Fund Benefits in Government Regulation No. 14/1993	Death Benefits provisions in Government Regulation No. 14/1993	Employment Accident provisions in Government Regulation No. 14/1993	Health Care provisions in Government Regulation No. 14/1993
Description	Provides an age retirement program and for compulsory early retirement as a result of invalidity or unemployment	This program covers loss of life during and within the work area or due to illness or natural causes	This program covers work related accidents at work and includes travelling to or from work	The Health Care program provides for hospital and medical treatment for the member, spouse and natural children.
Coverage	Compulsory for all workplaces with at least 10 employees or a monthly payroll of Rp. 1 million	Compulsory for all workplaces with at least 10 employees or a monthly payroll of Rp. 1 million	Compulsory for all workplaces with at least 10 employees or a monthly payroll of Rp. 1 million	Compulsory for all workplaces with at least 10 employees or a monthly payroll of Rp. 1 million. Exemptions are allowed for employers that have provided similar health care services for employees.
Contributions	Employer – 3.7% of gross wages Employee – 2% of gross wages	Employer – 0.3% of gross wages	Employer 0.24% - 1.7% of gross wages	Employer – 3% (single) or 6% (family) of gross wages
Benefits	Provides lump sum of combined contributions plus interest or periodical payments for the following life events of the member: ➢ At age 55 years, ➢ Total permanent disability, ➢ Benefits to the surviving spouse or children in the event of death of member before age 55 years ➢ When membership ceases due to unemployment after at least 5 years membership	Provision of payments for: ➢ funeral expenses of Rp. 1,000,000, ➢ death allowance of Rp. 5,000,000	The Accident benefits are: ➢ Transportation costs ➢ Costs of medical examinations, medicinal treatment and nursing ➢ Rehabilitation expenses ➢ Monetary allowances for partial permanent invalidity, total permanent invalidity, loss of functions, and death allowance	The Health care benefits are: ➢ Primary out-patient care ➢ Subsequent out-patient care ➢ In-patient hospital care ➢ Pre natal, delivery and post natal care ➢ Diagnostic support ➢ Special care ➢ Immediate life saving emergency services ➢ Maximum of Rp. 6,500,000

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4.3. Population, employment and poverty

Figure 6. Labour force statistics

Item	1999[3] (millions)	2000[4] (millions)
Population aged 15 years and over	141.10	144.03
Labour force	94.85	97.32
Labour force employed	88.82	89.07
Formal sector	26.65	26.72
Informal sector	62.17	62.35
Job seekers	6.03	8.25
Jamsostek members	16.42	18.60
Additional potential Jamsostek members	10.23	8.12
Population below poverty line aged 15 years and over	48.00	48.00
Taxpayers (Tax file number holders)		3.00

4.3.1   The formal employment sector represents about 30 per cent of the labour force and this is the current capture group for Jamsostek membership. The employer groups excluded under current legislation are those employers with less than 10 employees and a monthly gross payroll of less than Rp. 1 million. The *Additional potential Jamsostek members* total shown in figure 6 may be understated because it has been derived from the difference between the *Formal labour force sector* and *Jamsostek members'* statistics. The total number of Jamsostek members (18.6 million) includes the multiple records and members already paid retirement benefits.

4.4. Statistical overview of Jamsostek programs

4.4.1   There were 97,499 employers registered with Jamsostek as at July 2001. Of these, 74,966 were active and 22,533 were inactive. The estimated potential number of eligible employers i.e. with 10 or more employees or monthly gross payroll exceeding 1 million Rupiah is about 26 million.

4.4.2   The current employee members for the Provident Fund, Work Injury and Death Benefits programs are shown in the table below[5].

Figure 7. Membership statistics

Employees	Active	Inactive	Claimants	Total
Males	6,309,902	4,074,907	2,322,971	10,649,568
Females	3,072,884	1,694,920	995,560	5,763,364
Total	9,382,786	5,769,827	3,318,531	18,471,144

4.4.3   The *Active* members statistics comprise only those members currently registered and contributing to the fund

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[3] Source BPS.
[4] Source B. Purwoko, July 2001.
[5] Source Jamsostek IT Bureau 13 September 2001.

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4.4.4   The *Inactive* members statistics comprise:

- members now unemployed and with less than five years of contributions;
- members who have changed employment to an ineligible employer or self employment and do not exercise their rights to continue to contribute to the fund;
- members now unemployed and who have chosen to retain their investment in the fund;
- members who have discontinued contributions for reasons of employer bankruptcy;
- members deceased and where family have not claimed their entitlement; and
- members who are now contributing through another employer and the previous record(s) are inactive.

4.4.5   The *Claimants* statistics represent the number of members who have claimed their retirement benefit entitlements during the period 1978 to 2000.

4.5.   National office structure

4.5.1   The National Office of Jamsostek was reorganised in 2000 to improve the management and services provided to the members and the support provided to the Regional offices and Branch offices. The organizational structure, effective in September 2001 is shown in Figure 8.

4.6.   National office roles and responsibilities

4.6.1   The role of the divisions in the National office is represented by detailed sub diagrams of the main organizational structure.

Figure 8.   Jamsostek structure

Figure 9.   **President Director**

```
                    President
                    Director
        ┌───────────────┴───────────────┐
    Secretary                      Executive
                                     Staff
        ┌───────────────────────────────┐
  Internal                       Members' Welfare
  Control                        Improvement Fund/
  Bureau                         Small Scale
                                 Business &
                                 Cooperatives
                                 Bureau

  Auditor 1                      Members' Welfare
  (Region I - III)               Improvement Fund
                                 Section

  Auditor 2                      Small Scale
  (Region IV - VI)               Business &
                                 Cooperatives
                                 Section

  Auditor 3                      Financial
  (Region VII, VIII              Administration
  & Head Office)                 Unit
```
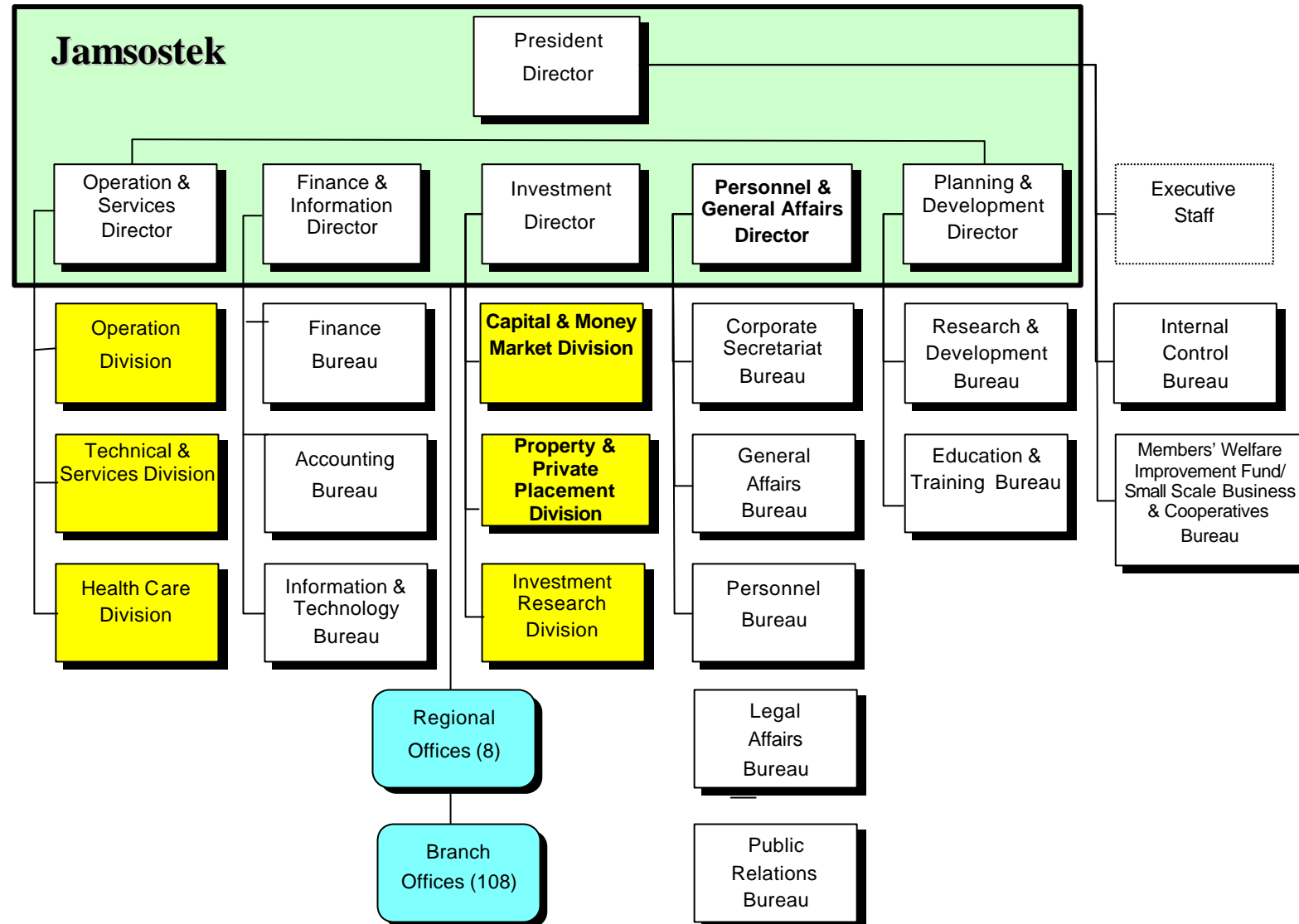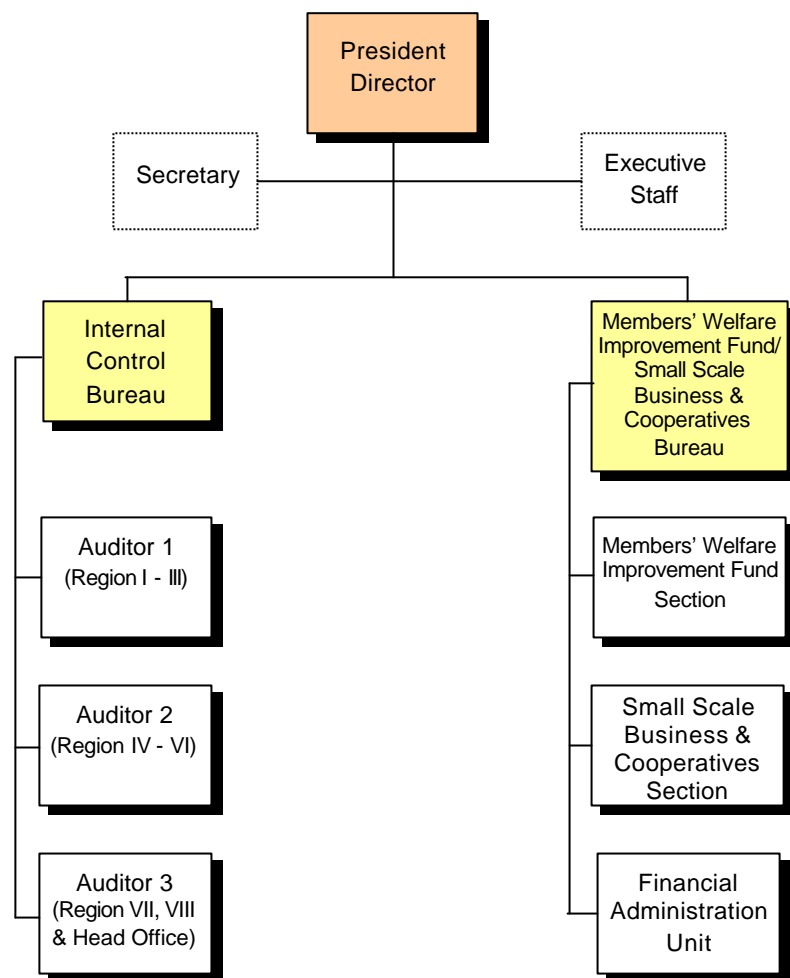
Figure 10.   **Operations and services directorate**

```
                    Operations
                    & Services
                    Director
        ┌───────────────┴───────────────┐
    Secretary

        ┌──────────────┬──────────────┐
  Operations      Technical &      Health Care
  Division        Services         Division
                  Division

  Members         Schemes          Admission
  Coverage        Control          Control
  Section         Section          Section

  Creation &      Analysis &       Report &
  Administration  Statistics       Interdepartmental
  Section         Section          Relations

  Partnership
  Section
```
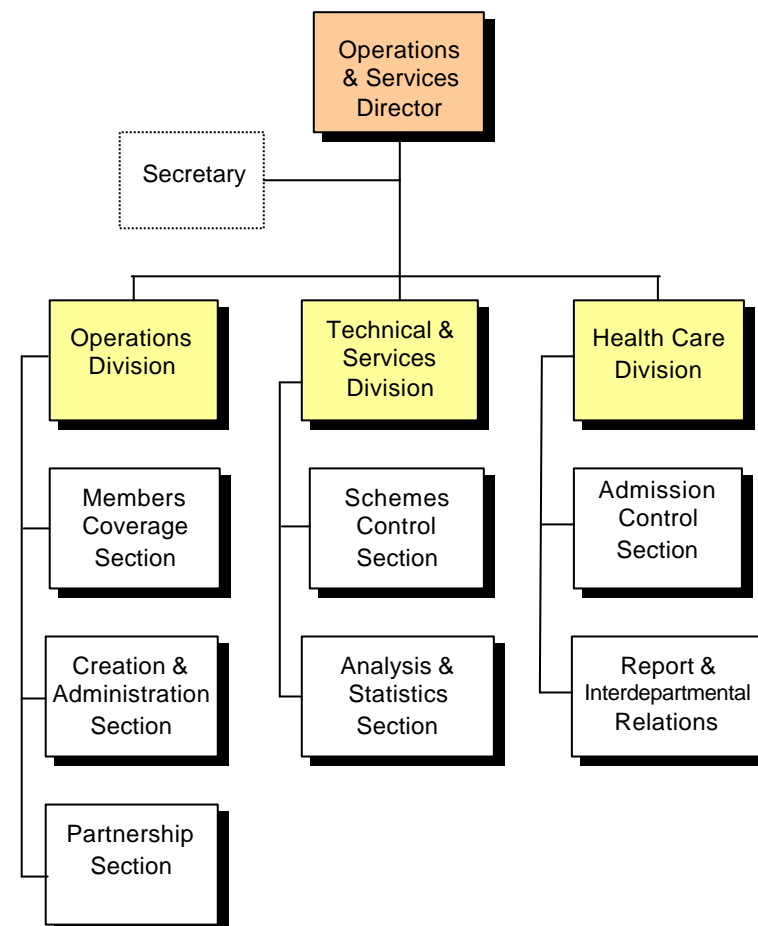
Figure 11. Finance and information directorate

```
                          ┌─────────────────┐
                          │   Finance &     │
                          │   Information   │
                          │    Director     │
                          └────────┬────────┘
        ┌ ─ ─ ─ ─ ─ ─ ┐           │
        │  Secretary  ├───────────┤
        └ ─ ─ ─ ─ ─ ─ ┘           │
         ┌──────────┬─────────────┴──────────────┐
    ┌────┴─────┐ ┌──┴────────┐ ┌─────────────────┐
    │ Finance  │ │Accountancy│ │  Technology &   │
    │  Bureau  │ │  Bureau   │ │  Information    │
    │          │ │           │ │    Bureau       │
    └────┬─────┘ └────┬──────┘ └────────┬─────────┘
         │            │                 │
    ┌────┴─────┐ ┌────┴────────┐ ┌──────┴──────┐
    │Budgeting │ │ Head office │ │   Data &    │
    │ Section  │ │ Accountancy │ │ Information │
    │          │ │   Section   │ │   Section   │
    └────┬─────┘ └────┬────────┘ └──────┬──────┘
         │            │                 │
    ┌────┴─────┐ ┌────┴────────┐ ┌──────┴──────┐
    │Tax & Cash│ │Regional     │ │ Application │
    │ Section  │ │Office       │ │ Development │
    │          │ │Accountancy  │ │   Section   │
    │          │ │Section      │ │             │
    └──────────┘ └─────────────┘ └──────┬──────┘
                                        │
                                 ┌──────┴──────┐
                                 │  Technical  │
                                 │   Support   │
                                 │   Section   │
                                 └─────────────┘
```
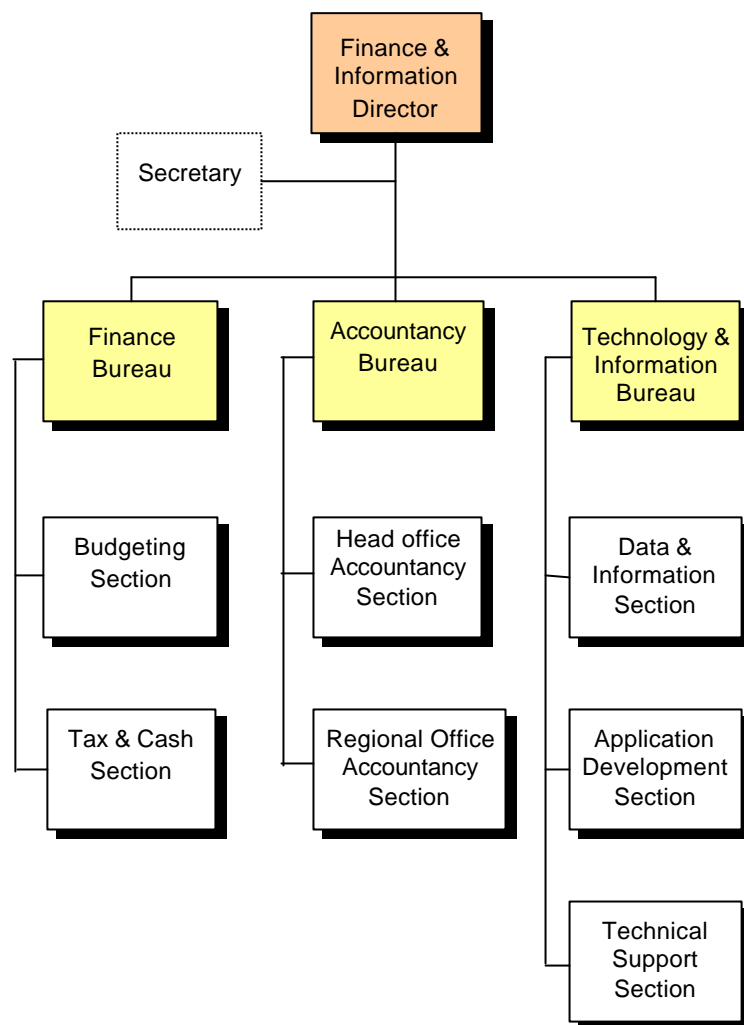
Figure 12. Investments directorate

```
                          ┌─────────────────┐
                          │   Investment    │
                          │    Director     │
                          └────────┬────────┘
        ┌ ─ ─ ─ ─ ─ ─ ┐           │
        │  Secretary  ├───────────┤
        └ ─ ─ ─ ─ ─ ─ ┘           │
         ┌──────────┬─────────────┴──────────────┐
    ┌────┴──────┐ ┌─┴─────────┐ ┌────────────────┐
    │ Capital & │ │Investment │ │  Property &    │
    │Money      │ │Research   │ │  Special       │
    │Market     │ │Division   │ │  Placement     │
    │Division   │ │           │ │  Division      │
    └────┬──────┘ └───────────┘ └───────┬────────┘
         │                              │
    ┌────┴──────┐                 ┌─────┴──────┐
    │Money      │                 │  Property  │
    │Market     │                 │  Section   │
    │Section    │                 │            │
    └────┬──────┘                 └─────┬──────┘
         │                              │
    ┌────┴──────┐                 ┌─────┴──────┐
    │Fund       │                 │  Special   │
    │Market     │                 │ Placement  │
    │Section    │                 │  Section   │
    └───────────┘                 └────────────┘
```
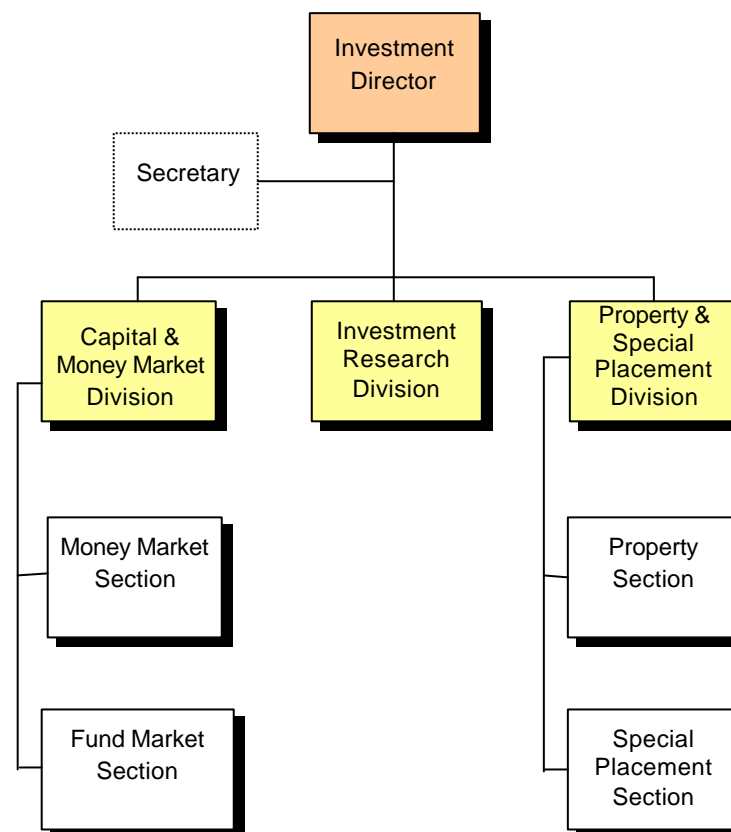
Figure 13. Personnel and general affairs directorate
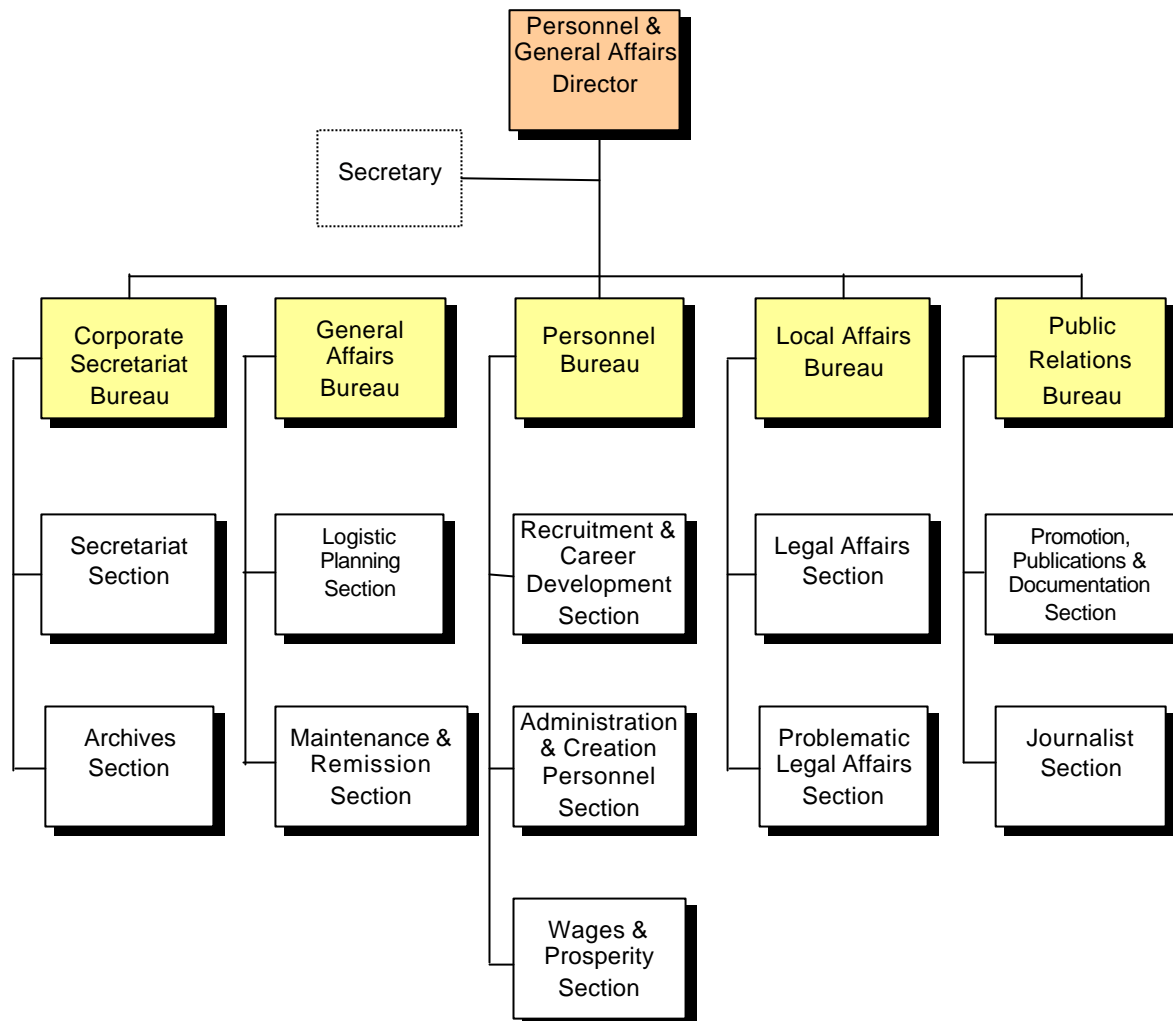
Figure 14. Planning & development directorate

Personnel & General Affairs Director

- Secretary

- **Corporate Secretariat Bureau**
  - Secretariat Section
  - Archives Section
- **General Affairs Bureau**
  - Logistic Planning Section
  - Maintenance & Remission Section
- **Personnel Bureau**
  - Recruitment & Career Development Section
  - Administration & Creation Personnel Section
  - Wages & Prosperity Section
- **Local Affairs Bureau**
  - Legal Affairs Section
  - Problematic Legal Affairs Section
- **Public Relations Bureau**
  - Promotion, Publications & Documentation Section
  - Journalist Section

Planning & Development Director

- Secretary

- **Research & Development Bureau**
  - Research Section
  - Development Section
- **Education & Training Bureau**
  - Career Education & Training Section
  - Technical Education & Training Section

4.7. Service delivery network

4.7.1   The national service delivery network is based on 108 Branch offices located around the country. There are provisional plans to increase this number to 113 branches in 2002. These Branch offices are responsible for customer service, collection of contributions and processing and payment of benefits. The Branch offices are administered by eight (8) Regional Offices and their locations are shown in figure 15.

Figure 15.   Regional office locations
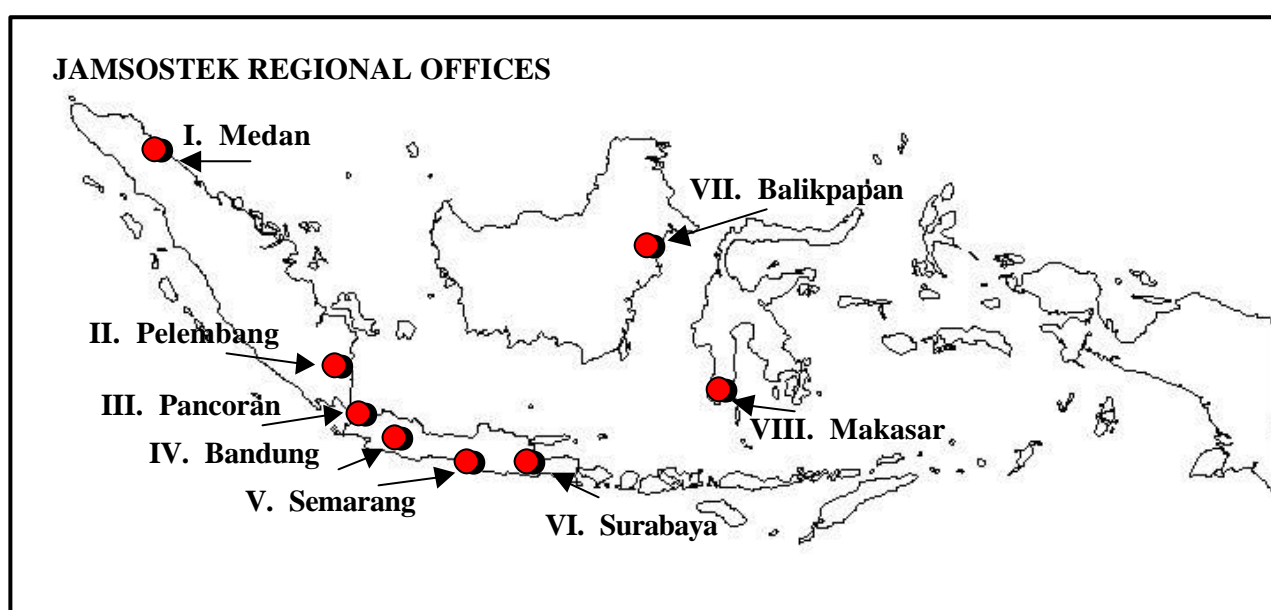
4.7.2   The Regions are numbered one (I) to eight (VIII) from west to east and they are located around the major employment centres with 4 of the Regional offices and 61 Branch offices on the most populous island, Java.

4.7.3   New Branch Offices are created from other Branch Offices within the Region based on the total number of current employees actively contributing to the schemes. The Branch Offices are graded in size according to the employee membership numbers and the grades are:

- Grade I – more than 150,000 active members,
- Grade II – 100, 000 active members, and
- Grade III – maximum of 50,000 active members.

4.7.4   The number of branch offices per Regional office varies in accordance with population density and the location of employment. The entire service delivery network as at March 2002 is shown in Figure 16.

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Figure 16.   Service delivery network

| Jamsostek – Service delivery network					
REGION	I Medan (Nth Sumatra)		IV Bandung (West Java)		VII Balikpapan (Kalimantan)
BRANCH OFFICES	1 Medan 2 Pematang Siantar 3 Kisaran 4 Sibolga 5 Sumatera Barat 6 Bukit Tinggi 7 Solok 8 Lhokseumawe 9 Langsa 10 D. I. Aceh 11 Meulaboh 12 Tanjung Morawa 13 Belawan		1 Bandung I 2 Bandung II (Planned) 3 Tangerang I 4 Tangerang II (Planned) 5 Bogor I 6 Bogor II (Planned) 7 Bekasi I 8 Bekasi II (Planned) 9 Sukabumi 10 Tasikmalaya 11 Purwakarta 12 Serang 13 Cirebon 14 Karawang 15 Cimahi 16 Majalaya 17 Balaraja		1 Balikpapan 2 Samarinda 3 Bontang 4 Tarakan 5 Kotabaru 6 Kal-Bar 7 Kal-Sel 8 Palangkaraya 9 Sampit 10 Berau
REGION	II Palembang (South Sumatra)		V Semarang (Central Java)		VIII Makasar (Sulawesi, Maluku & Irian Jaya)
BRANCH OFFICES	1 Palembang 2 Dumai 3 Jambi 4 Lampung 5 Bengkulu 6 Pangkal Pinang 7 Riau 8 Rengat 9 Tanjung Pinang 10 Pulau Batam 11 Muara Enim 12 Kota Bumi 13 Duri		1 Semarang 2 Surakarta 3 Yogyakarta 4 Klaten 5 Cilacap 6 Pekalongan 7 Kudus 8 Magelang 9 Purwokerto 10 Tegal 11 Ungaran		1 Makasar 2 Palopo 3 Sulawesi Utara 4 Sulawesi Tengah 5 Sulawesi Tenggara 6 Gorontalo 7 Maluku 8 Ternate 9 Jayapura 10 Sorong 11 Timika
REGION	III Jakarta (Pancoran)		VI Surabaya (East Java, Bali, West & East NT)		
BRANCH OFFICES	1 Salemba 2 Rawamangun 3 Grogol 4 Tanjung Priok 5 Setiabudi 6 Gambir 7 Cilandak 8 Kebon Sirih 9 Pluit 10 Cawang 11 Gatot Subroto 12 Pulo Gadung (Planned) 13 Kaliberes (Planned) 14 Kebayoran (Planned)		1 Karimunjawa 2 Pasuruan 3 Malang 4 Sidoarjo 5 Gresik 6 Jember 7 Banyuwangi 8 Madiun 9 Kediri 10 Mojokerto 11 Bojonegoro 12 Bangkalan 13 Blitar 14 Bali 15 Nusa Tenggara Barat 16 Nusa Tenggara Timor 17 Darmo 18 Surabaya Rungkut (Planned) 19 Tanjung Perak		

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4.8. Regional office structure

4.8.1   Each Regional Office is organised in five sections that reflect the structure of the Branch Offices. The organization is shown in figure 17.

Figure 17.   Regional office structure

Jamsostek regional office organization
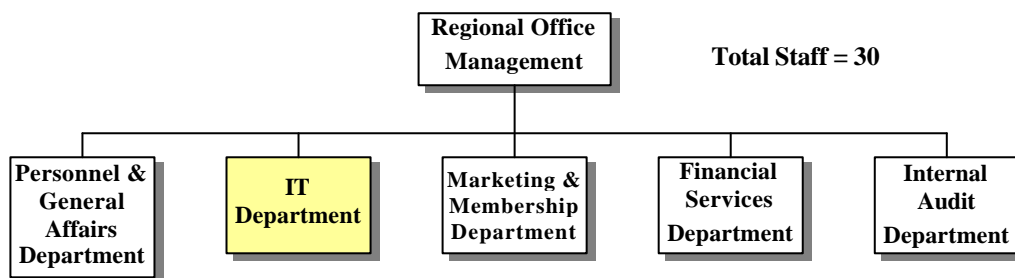
4.9. Regional office roles and responsibilities

4.9.1   The Regional office is responsible to the national administration for:

- promoting the services of Jamsostek within the region;
- liaison with the local Depnakertrans Regional Office or its equivalent provincial administration under the terms of regional autonomy;
- coordination and administration of the Jamsostek branch offices within the region,
- monitoring branch office performance;
- monitoring membership compliance across the region;
- financial management of the regional office and branches, and
- compliance with policy and standards.

4.10. Human resources

4.10.1 The HR section is the largest section in the office (about 9 staff) and comprises the management group. It is responsible for:

- employment of staff;
- recruitment;
- promotion;
- training; and
- personal Services.

4.11. IT Support

4.11.1   The regional IT services group are responsible for:

- maintenance of the integrated Regional database;
- production of regional statistics and reports;
- providing network and database support to the Branch Offices as required; and
- providing IT outputs and support to the regional office sections.

4.12. Membership and marketing

4.12.1   The Membership and Marketing section is responsible for:

- monitoring of membership management in Branch offices;
- maintenance of regional and branch membership statistics; and
- resolution of membership disputes that have been escalated from branch offices.

4.13. Financial services

4.13   The financial service section is responsible for:

- monitoring employer contributions for the region;
- monitoring benefits payments for the region;
- production of financial performance statistics; and
- reconciliation of the regional contribution and payments balances.

4.14. Internal audit

4.14.1   The internal audit function is carried out by a single officer who is responsible for:

- random spot check of membership files;
- responding to complaints or suspicious activity; and
- random post-claim accuracy checks.


4.15. Branch office structure

4.15.1 The Branch Offices are the main service delivery outlets for Jamsostek customers. The primary customer focus is on the employers who are responsible for registration of their employees in the schemes, payment of monthly contributions and representing their employees' social insurance affairs. The generic branch office structure is shown in figure 18.

Figure 18.   Branch office structure

Jamsostek branch office organization
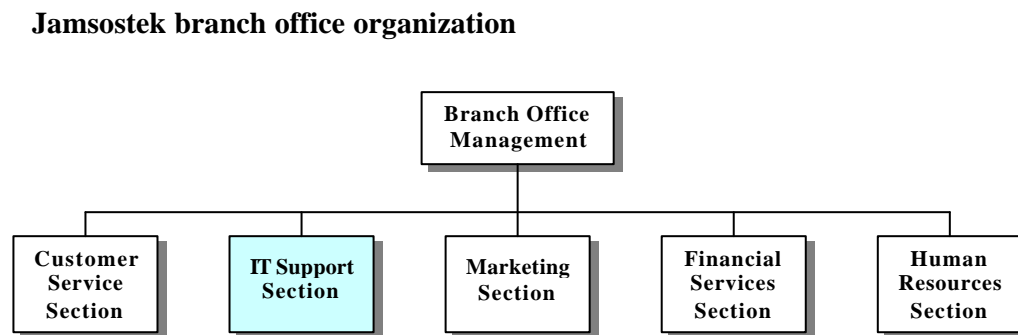
4.16. Branch office role and responsibilities

4.16.1. Customer services

The customer services section provides the customer contact facilities for members including reception, counter areas and telephone services.

4.16.2. Human resources

The HR section is responsible for:

- employment of staff;
- induction of recruits;
- promotion;
- training; and
- salary and Personal Services.

4.16.3. IT Support

The branch IT services group are responsible for:

- maintenance of the Branch database;
- management of the local area network;
- management of the server and application services;
- production of branch statistics for the region and national offices;
- providing IT support to the users as required; and
- providing IT outputs and support to the branch office sections.

4.16.4. Membership and marketing

The Membership and Marketing section is responsible for:

- monitoring of membership management in the offices;
- case management of a dedicated group of employers (between 75 – 100);
- adding new members;
- maintenance of the needs of existing members;
- compliance visits to employer groups members;

- maintenance of the branch membership statistics;
- resolution of membership disputes; and
- escalation of unresolved disputes to the regional office.

4.16.5. Financial services

The financial service section is responsible for:

- issue of payments to eligible claimants;
- monitoring employer contributions for the branch;
- monitoring benefits payments for the branch;
- production of financial performance statistics; and
- reconciliation of the branch contribution and payments balances.

5. Jamsostek operational processes

5.1. Contributions collection process

Figure 19.   Contributions overview

Contribution collection process - overview
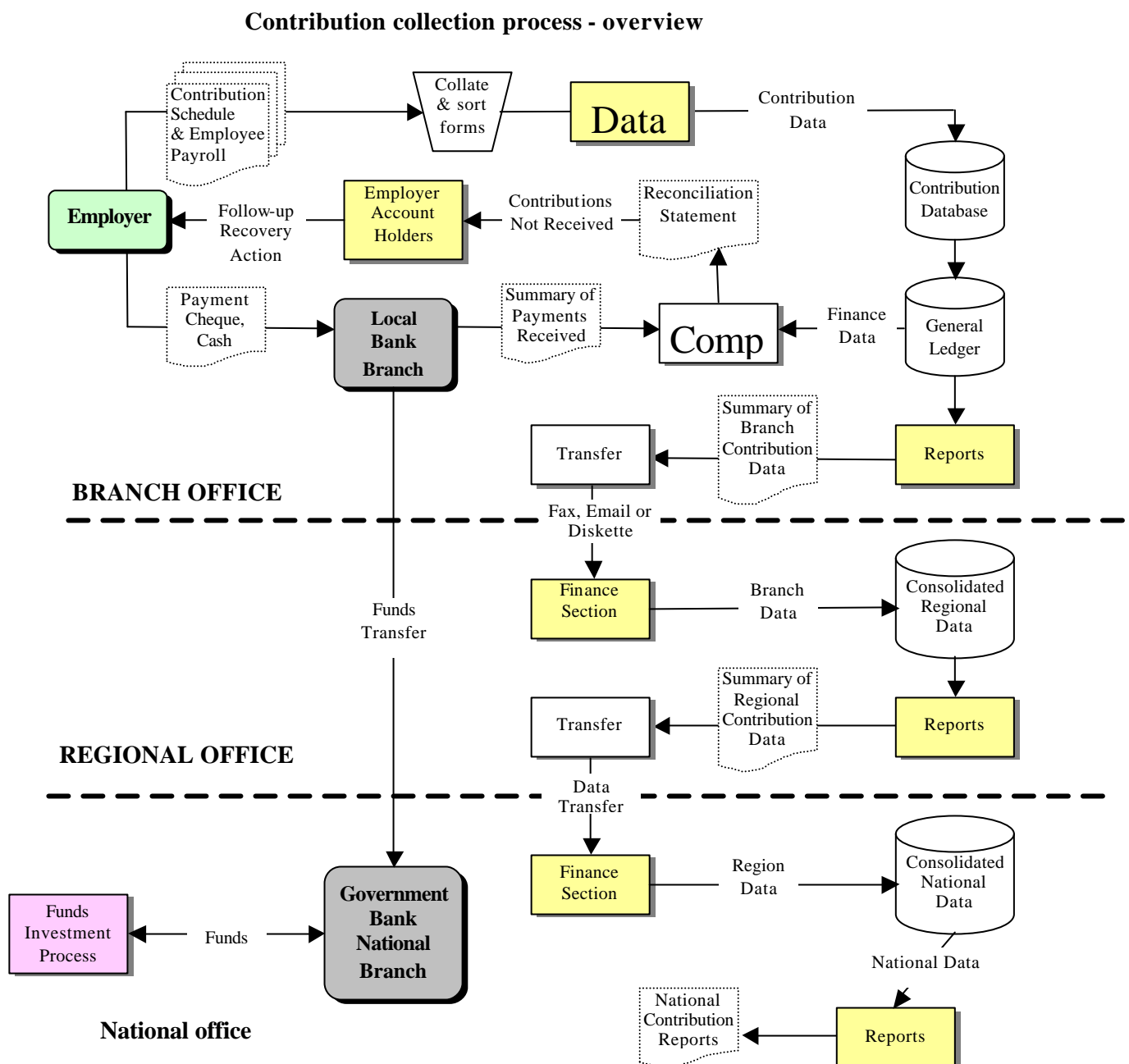
5.1.1   Registered employers are responsible for the payment of contributions in accordance with the contributions provisions shown in figure 6. The contributions are due and payable on the fifteenth day of each month. The contribution process is a two part process comprising:

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- lodgement of the forms *Contribution Schedule* (Form 2) and *List of Employees on Payroll* (Form 2a) at the Jamsostek Branch Office by post, diskette, fax or in person; and
- payment of the contribution funds by bank transfer or at the bank kiosk located in many of the Jamsostek Branch Offices.

5.1.1. New contributor processing

5.1.1.1 The Employer registers new contributors by completing the form *Employees Registration* (Form 1a) and lodging the form together with the normal monthly contributions schedules. The system relies on the employer providing the correct information and completing all of the responsibilities of member registration (as described in paragraph 7.10).

5.1.1.2 New contributors are issued with a Jamsostek Employee Membership card, *Kartu Peserta Jamsostek* (KPJ) and delivery of the card and all other communications with the employee are facilitated through the employer.

5.1.2. Claims processing overviews

Figure 20.   Retirement programs claim process
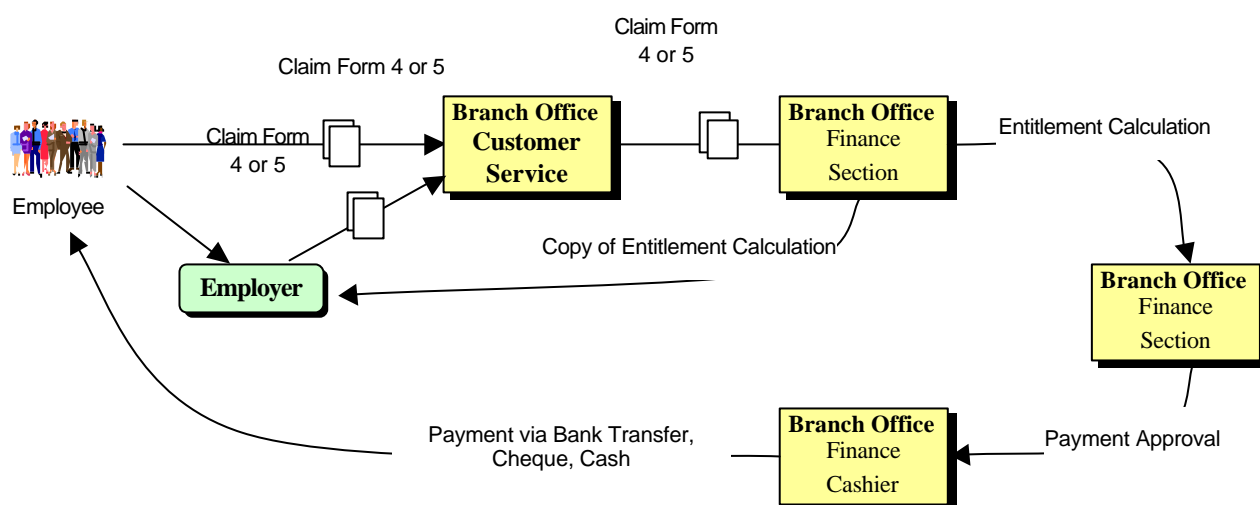
5.1.1.3 There are seven eligibility criteria for payment of retirement benefits. Claims for death benefits are made on the form *Application for Payment of Death Benefits* (Form 4). All other retirement program claims are made by completing the form, *Application for Payment of Old Age Benefits* (Form 5) and lodging the form together with the relevant documentary evidence (originals) required for the category of claim. The retirement program payment categories and the supporting documentary requirements are:

(i)   Reaches the 56th year (i.e. turns 55):

1.   original Jamsostek Member Card (KPJ)
2.   personal ID Card, *Kartu Tanda Penduduk* (KTP).
3.   family Identification Card (Kartu Keluarga).

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(ii)   Death of member:

1.   original Jamsostek Member card (KPJ).
2.   personal ID card for deceased members and next-of-kin (Ahli Waris).
3.   family Identification Card (Kartu Keluarga).
4.   authorised letter of authentication of death of member.

(iii)   Total permanent invalidity:

1.   original Jamsostek Members Card (KPJ).
2.   personal ID Card (KTP).
3.   family Identification Card (Kartu Keluarga).
4.   referral letter from the Medical Officer supporting the claim for disability.

(iv)   Leaving the Republic of Indonesia:

1.   original Jamsostek Members Card (KPJ).
2.   personal ID Card (KTP).
3.   passport.
4.   copy of Visa for Indonesian Labour.
5.   statutory declaration of intention to no longer work in Indonesia (Surat Pernyataan tidak bekerja lagi di Indonesia).

(v)   Members now employed in the Defence Forces/Government Employee:

1.   original Jamsostek Members Card (KPJ).
2.   personal ID Card (KTP).
3.   family Identification Card (Kartu Keluarga).
4.   letter confirming employment as a Government Employee or in the Defence Forces (Surat Keputusan Pengangkatan Sebagai PNS/ABRI).

(vi)   Termination of membership as a result of unemployment (after a
        period of membership of no less than five(5) years):

1.   original Jamsostek Members Card (KPJ).
2.   personal ID Card (KTP).
3.   family Identification Card (Kartu Keluarga).
4.   letter confirming termination of employment/PHK from the Company.

(vii)   Others (Letter of Agreement from Ministry of Man Power 117/1986):

1.   original Jamsostek Members Card (KPJ).
2.   personal ID Card (KTP).
3.   family Identification Card (Kartu Keluarga).
4.   letter confirming no further involve in the organization (Tidak Terlibat Organisasi).

5.2. Work injury claim process

5.2.1   The Work Injury process is a three-stage process comprising two stages of accident/injury reporting followed by a claim for payment after assessment and treatment of the injury. Jamsostek uses prescribed medical service providers for primary treatment. The procedures require that the employer is to notify the medical service providers and Depnakertrans within 48 hours of every workplace injury, this is the first stage of work injury reporting. The second stage of reporting is required within 48 hours after receipt of the medical report, recovery, permanent invalidity or death of the employee. The compliance with the reporting process is very low and despite the availability of coloured, carbonised forms the notification of injury to Depnakertrans is often not made. The reporting forms have a distribution list for each copy and as a result of progressive modifications to the form the distribution addressees on some forms refer to copies no longer on the form. Low reporting rates may be partially due to the legislative requirement to report all injuries no matter how minor they may be and the excessive time involved in compliance has resulted in very few accident reports being made. Local arrangements with Jamsostek offices to report work injuries to Depnakertrans have not been entirely successful.

5.2.2   The result of non-reporting is that unsafe workplaces evade inspections and enforcement action by the Depnakertrans labour inspectors. A process that provides a balance between internal recording of minor injuries and external reporting of potentially serious injuries should be implemented to encourage reporting. Jamsostek has a role to play in the reporting process (to Depnakertrans) in that it is able to screen the injuries from the medical officers reports where the injuries and treatment are described in detail. Jamsostek could forward to Depnakertrans the accident report forms that relate to specific accidents where workplace safety, working conditions and other serious environmental risks were factors in the accident.

5.2.3   The forms used in the Work Injury claim process are:

Form 3   Employment Accident Report Phase 1 (5 part carbonised form),
Form 3a   Employment Accident Report Phase 2 (5 part carbonised form),
Form 3b   Doctors Certificate,
Form 3c   Doctors Certificate for Employment Related Diseases, and
Form 3d   Claim for Work Injury Benefits.

Figure 21.   Work injury program claims process

5.3.   Registration

5.3.1   The employer performs the current process for registration of members for Retirement, Work Injury and Life programs. Existing employer members report new employees on Form 1a and this results in the creation of an individual account (retirement only) and the issue of a membership card. The employer performs all of the other elements of a registration process for all new members. This is a weakness of the current system as there is no guarantee or evidence to confirm that the employee has been given, or understands the rights and obligations of membership of the Jamsostek insurance programs.

5.3.2   Most of the traditional elements of a registration system are performed as part of the claim process at the end of the insurance lifecycle and not at the initial stage of membership. This is generally too late for proof of identity and for the date of birth to be verified.

5.3.3   Forms used for registration are:

Form 1   Employers Registration.
Form 1a   Employees Registration.
Form 1b   List of Family Members.
Form 1c   List of Outgoing Employees.

5.4.   Payment processing

5.4.1   Payment processing is based on bank transfer as the preferred method of payment to members. There are also provisions for the payment by cheque or cash for urgent cases. The cash

payment is usually arranged by the issue of a cheque that is cashed by the local bank branch, often located as a kiosk within some Branch offices.

5.4.2   Authority for payment is made as part of the claims processing function and approval delegations are based on the total amount of the payment. Amounts of Rp. 1.2 million can be approved by the supervisor and for higher amounts; the deputy manager and branch manager are the delegates.

5.5.   Health insurance program

5.5.1   The Jamsostek Health Insurance program is the smallest program in relation to membership but one of the largest programs in terms of work activity and transactions. The program covers about 1.5 million members including the spouse and the first three children of married members. The membership rate is probably less than 10 per cent of the membership in the retirement program and the low membership is the result of the opt-out provision of the program. Employees can opt-out of the Jamsostek Health Insurance Program if they receive health care form an employer based or private health care scheme. This has reduced the program effectiveness by concentrating the number of low-income members and the health insurance risk. The scheme has a ceiling contribution salary of Rp. 1,000,000 so that employees with higher incomes have their contributions fixed at a maximum of Rp. 30,000 or Rp. 60,000 for married members. As a result of this, contributions are lower than the Indonesian average, fewer services are provided at a lower standard and member satisfaction is low.

5.5.2   Health care services are outsourced to main providers, generally profit oriented private organizations that sub contract the provision of health care to other local providers. The end state of the service delivery for Jamsostek members is that health care is often delivered through the public system at the same standard as the poorer members of society. The differentiation of service that is expected by members in many cases is not provided due to the complex contractual arrangements through the main providers. In Jakarta region the situation has deteriorated to such an extent that the contract with the main service provider has been cancelled as a result of the unsatisfactory service both to members and to the service providers. In the interim, health care services are being delivered through five of the eleven Branch Offices and the Regional Office is to assume the role of the main service provider until a new contract is negotiated.

5.5.3   The service delivery standards are further affected by the limited automation provided for the health insurance system. Health insurance programs are only partially integrated into the main Jamsostek Information Systems application *Sistem Informasi Pelayanan Terpadu* (SIPT). Most staff chooses not to use the health care functions in SIPT and they have replaced the operations and processing functions by a range of locally developed applications in Branch offices. There is a lack of national standardisation in the health care systems across the service delivery network. Re-development of the health insurance systems is still in the conceptual stage but is a lower priority than for the other components of SIPT.

5.5.4   Health care registration comprises the identification of the member and allocation of the member to the appropriate service providers who are then authorised to provide health care to the member. The *member service section* in the Branch Office is responsible for the notification of membership to the member and the health care provider. The *operations section* in the Branch office is responsible for the selection of health care provider and maintenance of the contracts.

Figure 22. Health care registration

Health care program registration process
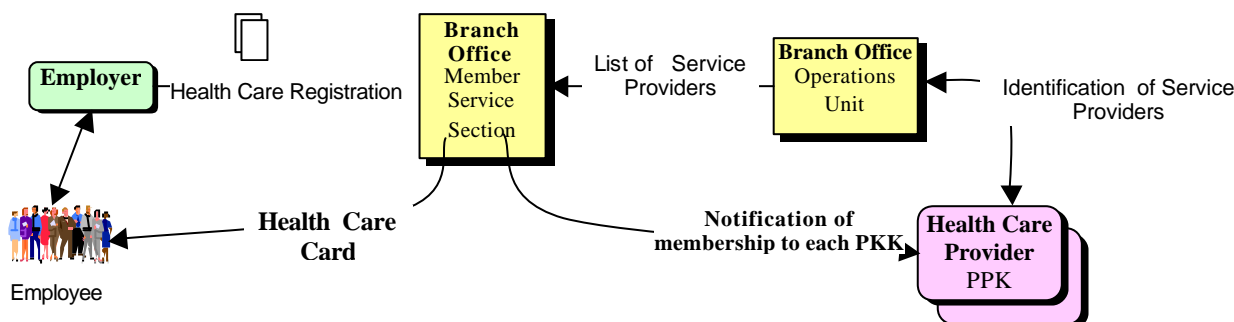
5.6. Health care claim process

5.6.1 Health Care is delivered through the primary care provider that has been arranged for the member as part of the registration process. The member seeks care from the primary care provider at a medical centre, doctor's rooms or local clinic. The primary care provider determines the treatment strategy and the treatment may be satisfied by the primary carer or referral made to a specialist or hospital. As the primary health care service is based on capitation payments there is no formal claim for payment after each service. Primary health care providers are paid a common fee each month based on the number of members registered with the provider over the previous month. Secondary health care is based on fee for service through the authorised service providers (PKK) and the Jamsostek Branch office is billed for services provided to members for each visit or treatment. The treatment, monthly capitation and fee for service payment processes are shown in figure 23.

Figure 23. Health care treatment and payment process
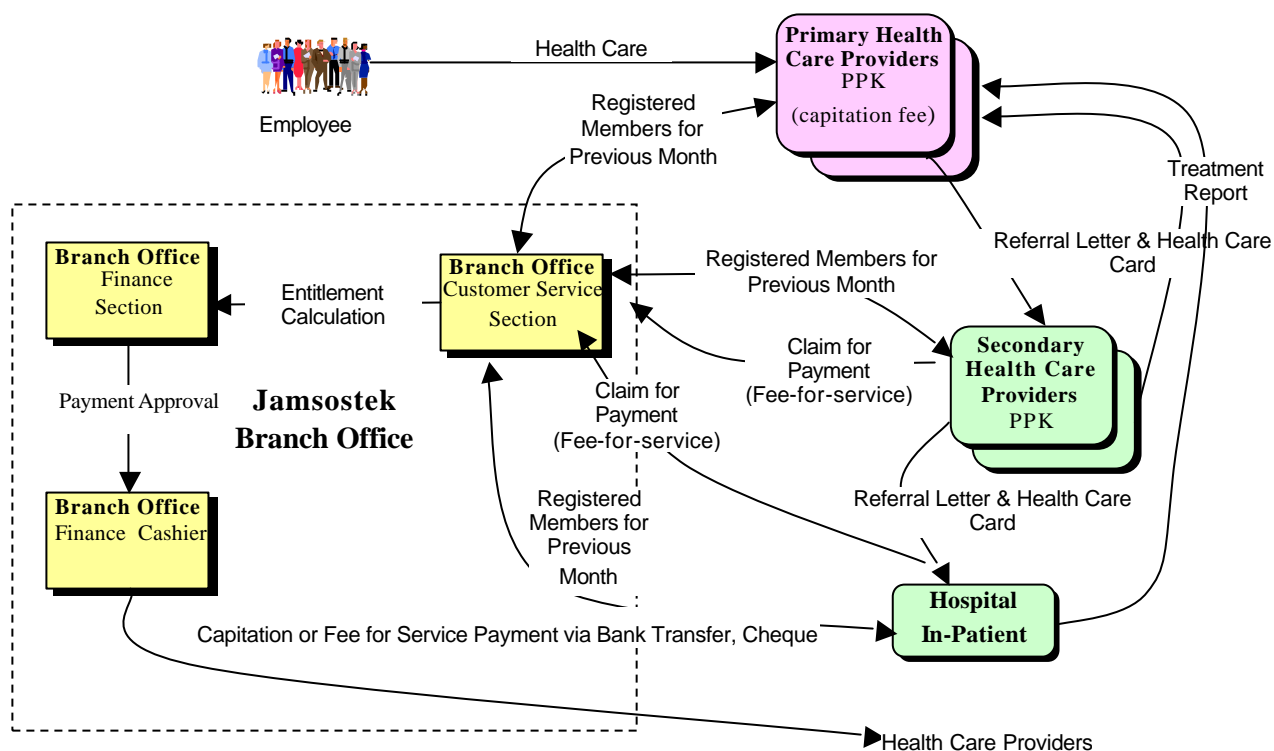
5.7. Investment management

5.7.1   With its current status as a *Persero*, the financial management in Jamsostek is controlled by the government, through the Minister of Finance as the sole shareholder of the company. In the past, investments have not always maximised the returns to the members. An example of low returns is the construction of *Menara Jamsostek*, a luxury office tower in Jakarta central business district that has remained substantially vacant since its construction as a result of the downturns in the world economy. Jamsostek has consistently come under pressure to invest members' funds in government enterprises at less than commercial rates.

5.7.2   It is expected that with appropriate supporting legislation a tripartite trust fund reporting directly to the People's Assembly through a minister should be able to maximise the investment return to members The current Balance Sheet for Year Ending March 31 2001 and December 2000 is shown in Figure 24 as an indication of the assets of Jamsostek and a broad view of the investment performance.

Figure 24.   Current balance sheet

No.	Assets	2001	2000
1	Current Assets		
	Cash at Bank	20,926	17,960
	Premium Receivable	20,090	19,120
	Other Income	84,264	110,980
	Other Receivable	8,452	4,114
	Other Assets	5,385	5,169
	Total Current Assets	139,117	157,343
2	Investments		
	Time Deposits	10,346,554	10,004,179
	Marketable Securities – Shares	593,664	711,228
	Bonds	1,481,086	1,095,544
	Land and Buildings	440,267	433,847
	Other Investments	43,292	44,933
	Total Investments	12,904,863	12,289,731
3	Fixed Assets	114,179	103,337
	Other Assets	48,923	51,496
	Total Assets	13,207,082	12,601,907
5	Current Liabilities		
	Claims	4,662	27,010
	Tax	2,550	5,081
	Accrued Operational Expenses	1,888	4,343
	Unearned Revenue	761	860
	Other Liabilities	54,502	76,335
	Total Current Liabilities	64,363	113,629
6	Long-term Liabilities	11,429,708	10,810,014
7	Technical Reserves	1,270,907	1,230,588
8	Other Reserves	4	4
9	Capital		
	Paid in Capital	62,500	62,500
	General Reserves	52,054	175,992
	Retained Earnings	203,564	0
	Current Net Profit	123,982	209,250
	Total Capital	422,100	447,672
	Total Liabilities and Capital	13,207,082	12,601,907

An overview of the investment management process is shown in Figure 25.

Figure 25   Investment management process
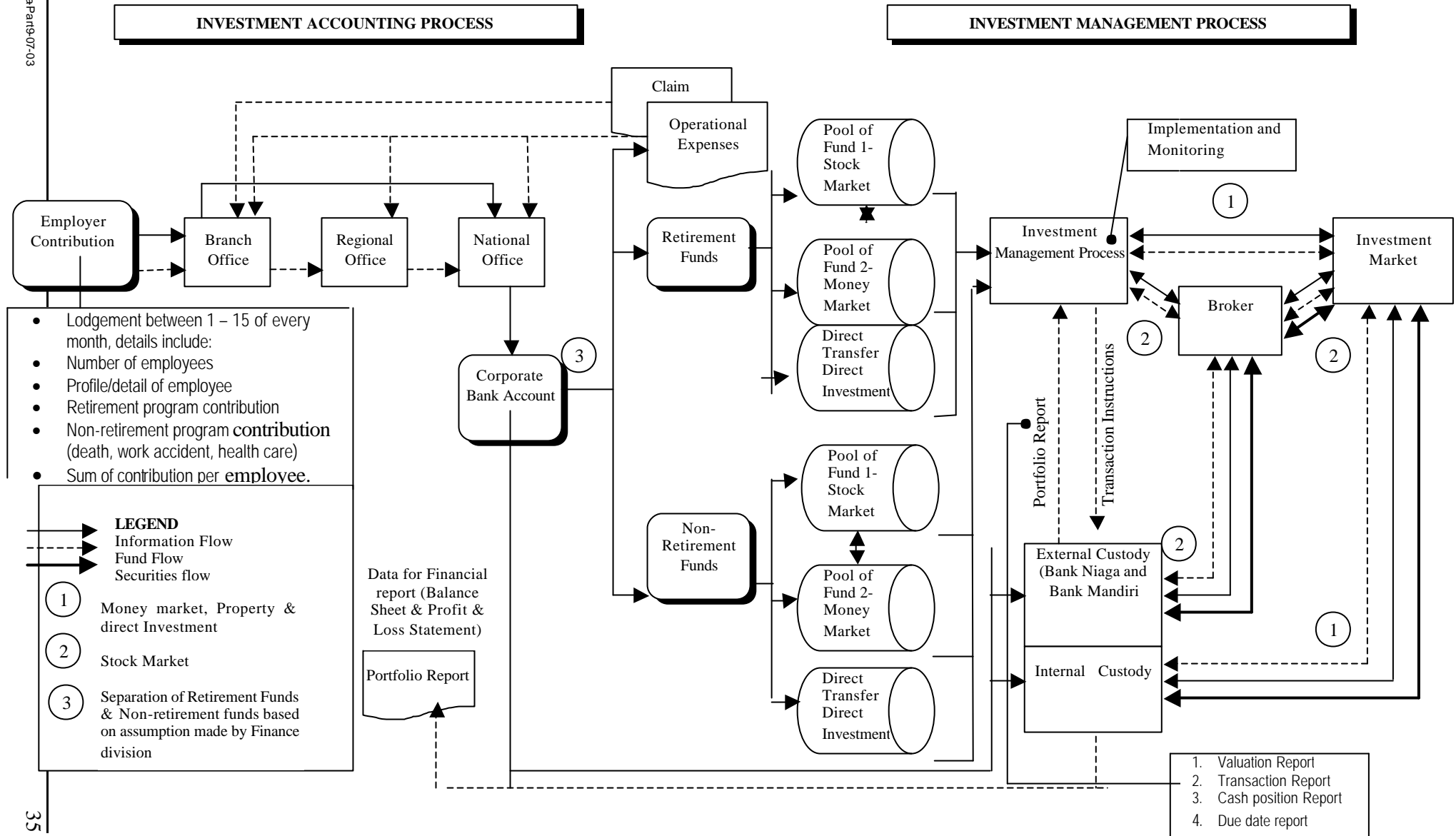
6. Information systems in Jamsostek

6.1. Background

6.1.1   The development of IT in Jamsostek commenced in 1982 with a centralised, mainframe batch processing system using paper based data transfer methods. In 1985 this system was upgraded to a centralised processing system using diskette data transfer.

6.1.2   Since 1995 Jamsostek has migrated to a distributed processing environment of 2500 PC's networked to UNIX/LINUX and some Windows NT servers and local Oracle databases at each of the Branch Offices, Regional Offices and on the 9 servers in the National office. Data transfer is achieved using email/intranet/internet and fax or diskette in areas where communications are limited.

6.1.3   Jamsostek is developing its own integrated social insurance application, *Sistem Informasi Pelayanan Terpadu* (SIPT) for the provident fund, work injury and death benefits systems. The health insurance system will remain predominantly a local semi automated system in the immediate future. The development of an integrated financial system has commenced with the accounting system (general ledger) whilst the investment and treasury function are to be developed and integrated into the financial system in the future. Additional corporate support applications such as Human Resource Management, Taxation, Assets Management and Executive Information systems are planned.

Figure 26   SIPT Context diagram

Integrated social insurance application context diagram
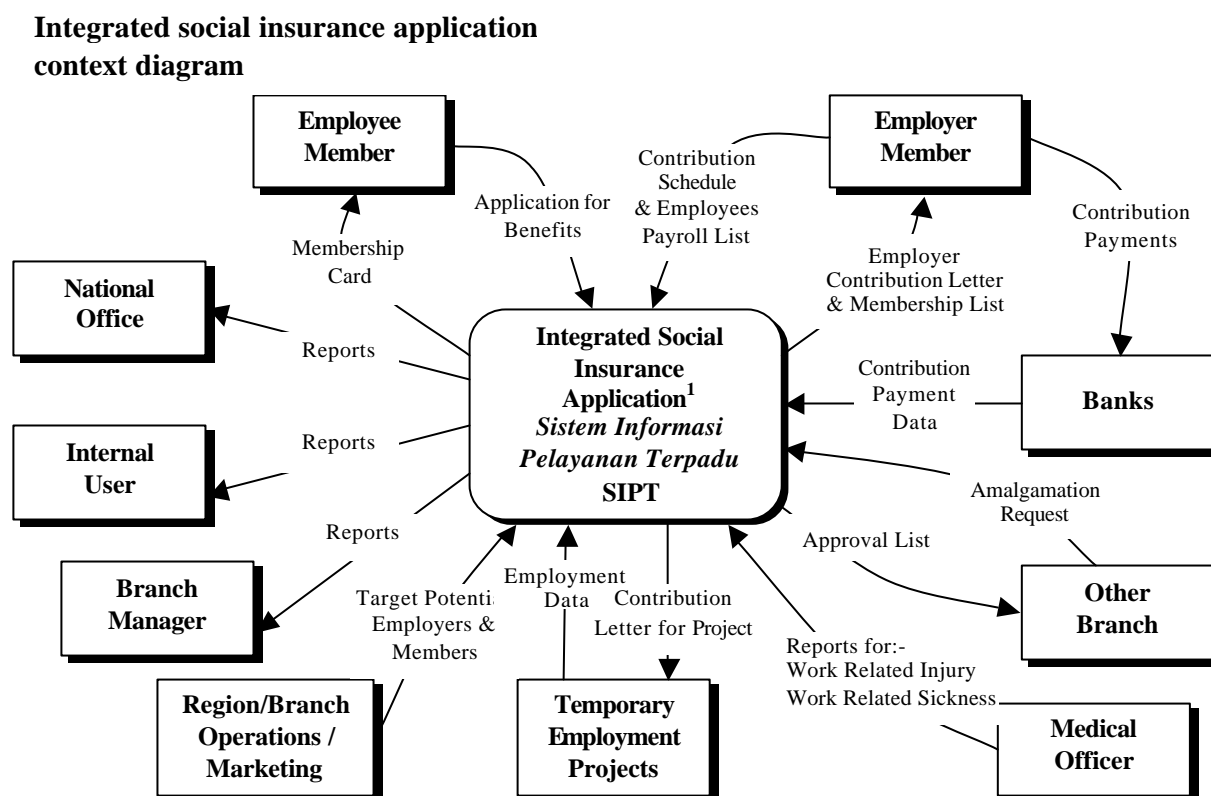
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[1] The SIPT Application does not include Health Insurance at this stage of development

6.2. Existing network - overview

6.2.1   The existing network is comprised of Local Area Networks (LAN's) in each of the 108 Branch Offices, 8 Regional Offices and the National Office. The data communications medium between the sites is the Public Switched Telephone Network (PSTN) using dial up modems or via the Internet. In remote or isolated branch sites where communications is limited, data communication is facilitated by Internet, fax or diskette (post or courier). A summary diagram of the existing network is shown in Figure 27.

Figure 27.   Existing communications summary

Type of information being sent between	Branch-Office	Regional-Office	National-Office
	RECEIVER		
Branch Office	Member data requested, due to provident fund withdrawal using Fax-machine. Facilities: PSTN	Local Branch Transaction data, sent Monthly using Diskette, E-Mail, or Printed Out Report **Facilities**: PSTN, ISP & Courier Service	Local Branch Transaction data, sent Monthly using Diskette, E-Mail, or Printed Out Report **Facilities**: PSTN, ISP & Courier Service
Regional Office			Consolidated Branches Summary Report, sent monthly using Diskette, E-Mail, or Print-Out Report **Facilities**: PSTN, ISP & Courier Service
National Office			

6.3.   Proposed network - overview

6.3.1   Planning has commenced to increase the capacity of the communications network and the first stage of this expansion will be the connection of the 8 Regional Offices to the National Office with a Frame Relay service. This should provide capacity of up to 1 Mbps. The extension of the network beyond the Regional Offices to their respective Branch Offices will be part of subsequent phases. Most of the Branch Offices in Jabotabek will also be included in the initial implementation of the Frame Relay services network to the Regional Offices.

6.3.2   A review of the communications capacity for the entire network had been completed and the proposed links and capacities between sites are summarised in the following diagram.
An overview of the first stage of the proposed network is shown below.

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Figure 28.   Proposed communications summary (first stage)

Type of information being sent between		Branch-Office	Regional-Office	National-Office
		RECEIVER		
Branch Office		Members data requested, for provident fund withdrawal **Facilities**: PSTN **(Dial-Up Network up to 28.8 Kbps**, Excluding Branch-offices in Jabotabek Area)	Local Branch Transaction data, transferred via Company's WAN **Facilities**: PSTN, **(Dial-Up Network** up **to 28.8 Kbps,** Excluding Branch-offices in Jabotabek Area)	Local Branch Transaction data, transferred via Company's WAN **Facilities**: PSTN **(Dial-Up Network** up to 28**.8 Kbps,** Excluding Branch-offices in Jabotabek Area)
Jabotabek Branch Offices	S E N D E R		Local Branch Transaction data, transferred via Company's WAN **Facilities**: Frame-Relay Network at speeds ranging from 64 Kbps to 1 Mbps	Local Branch Transaction data, transferred via Company's WAN **Facilities**: Frame-Relay Network at speeds ranging from 64 Kbps to 1 Mbps
Regional Office			**Facilities**: Frame-Relay Network at speeds ranging from 64 Kbps to 1 Mbps	Consolidated Branches' Summary Report, transferred via Company's WAN **Facilities**: Frame-Relay Network at speeds ranging from 64 Kbps to 1 Mbps
National-Office			**Facilities**: Frame-Relay Network at speeds ranging from 64 Kbps to 1 Mbps	

6.4. IT Organization, roles and responsibilities

6.4.1   The IT functionality in Jamsostek is based on three levels:

- service delivery, payment, data processing and user support at branch level,
- data management, administration and user support at regional level, and
- development, maintenance, administration, data management and user support at national level.

6.4.2   The Jamsostek National Office IT organization develops and maintains all of the core application software (except the general ledger) provides user support for hardware and software and conducts all of the data management and data processing for the company. The only IT elements that are currently outsourced are server maintenance and support and the financial system development and maintenance (general ledger).

6.4.1. National office IT organization, roles responsibilities (Current)

6.4.1.1 The current National IT Department has 19 staff organised in two sections, Systems & Hardware and Data & Applications.

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6.4.1.2 The National IT Manager is responsible to the Director of Finance and Information for the following functions:

- maintenance and development of the existing systems and applications;
- providing user support to the Regional and Branch offices;
- developing new systems and enhancements in accordance with the agreed strategic priorities;
- recruitment and training of staff in the National Office; and
- providing advice to the Director and the Jamsostek executive about IT technical issue; and developments, constraints and providing recommendations on all aspects of IT in Jamsostek.

Figure 29.   Existing IT organization

JAMSOSTEK National Office IT Section (Current)

Total Staff = 19
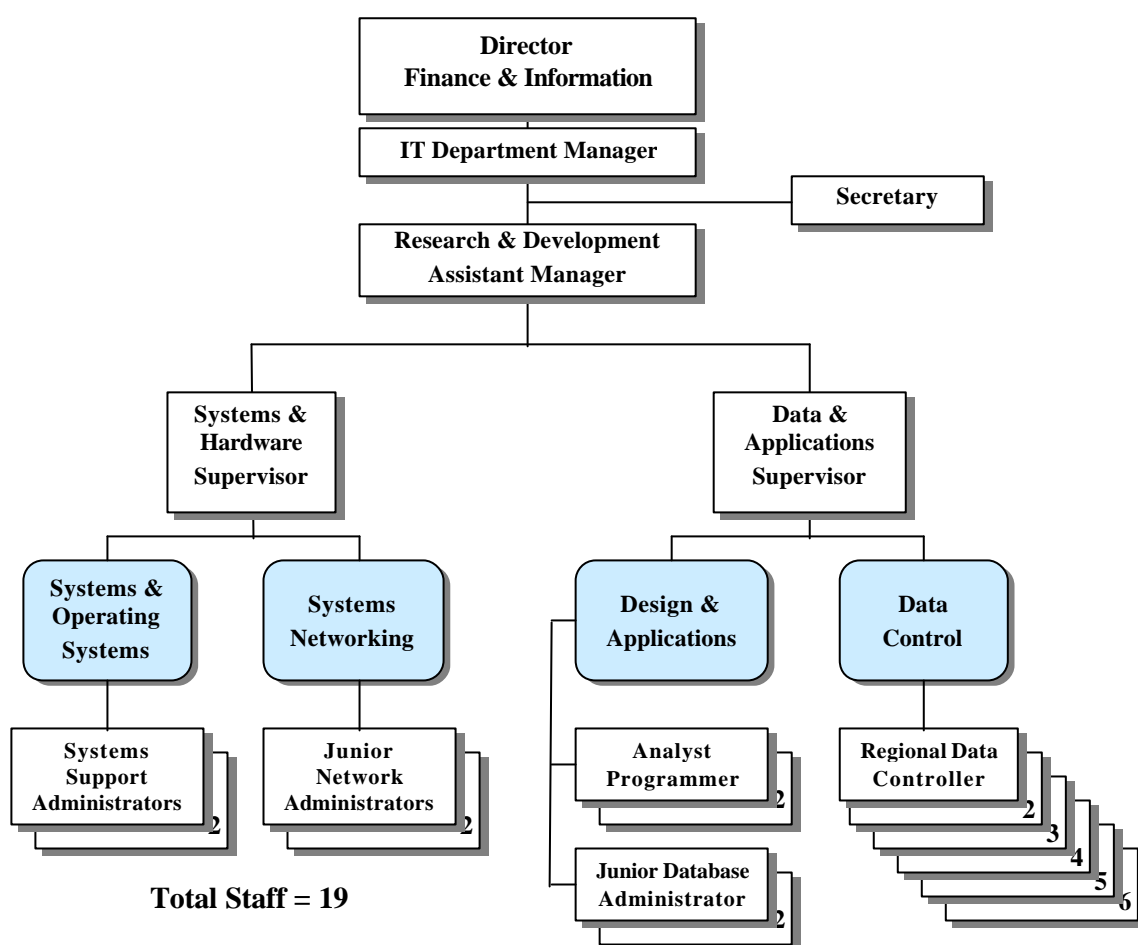
6.4.2. National office IT organization, roles responsibilities (Proposed)

6.4.2.1 The proposed National IT Department will have 26 staff organised into three sections, Applications Development, Technical Support and Data & Infrastructure.

Figure 30.   IT organization (Proposed)

JAMSOSTEK National Office IT Section (Planned)


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                    ┌──────────────────────┐
                    │      Director        │
                    │ Finance & Information│
                    └──────────┬───────────┘
                               │
                    ┌──────────┴───────────┐           ┌─────────────┐
                    │ IT Department Manager │───────────│  Secretary  │
                    └──────────┬───────────┘           └─────────────┘
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Total Staff = 27
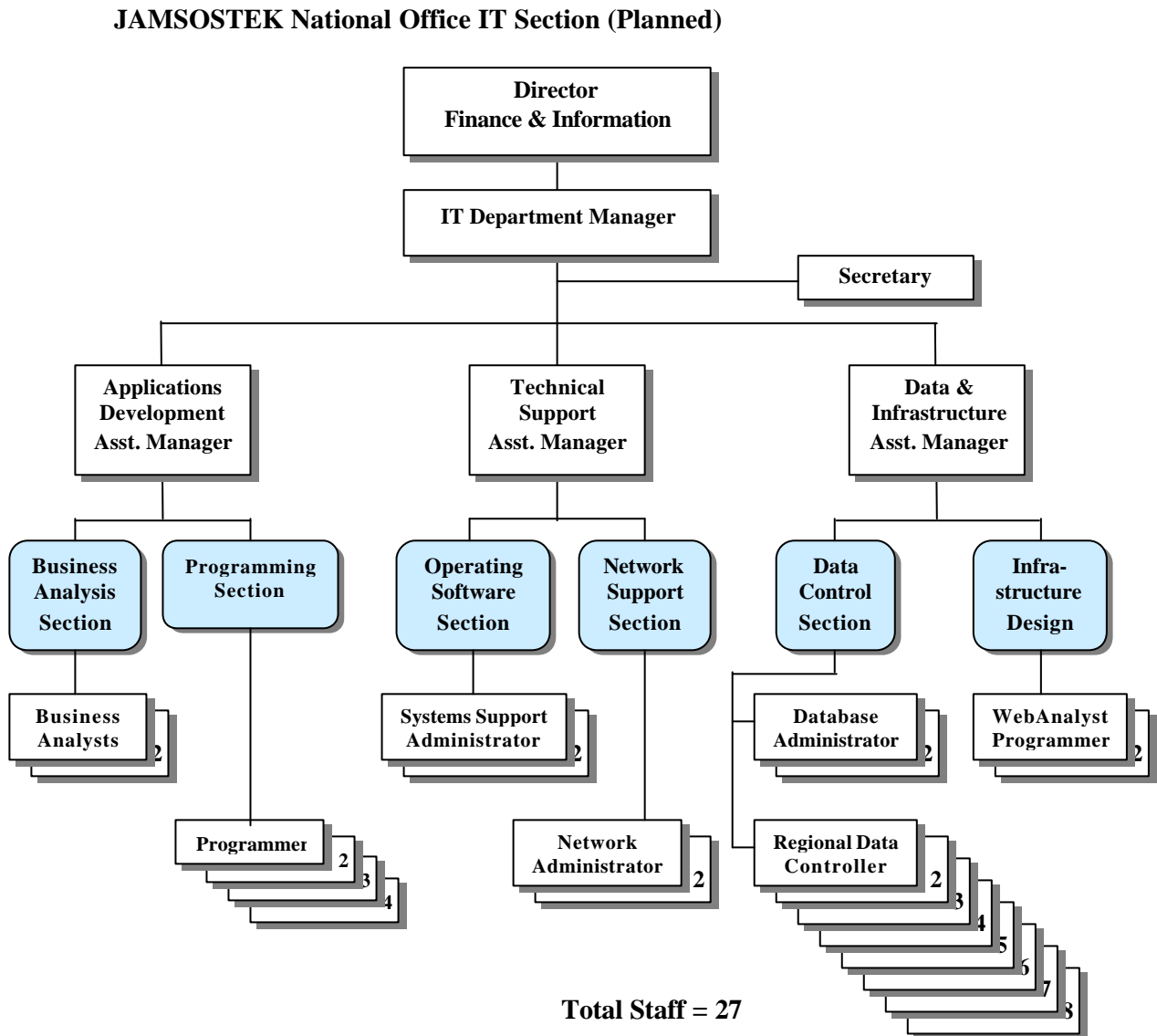
6.4.2.2 The overall role and responsibilities for the IT Department and the Manager remain unchanged. The role and responsibilities of the restructured sections are described below.

(i)   Applications development section

6.4.2.3 This section is responsible to the IT manager for:

- analysis of new and existing business rules and the development of user requirements and system specification;
- design of new modules or applications for Jamsostek;
- construction, testing and release of new and modified programs; and
- maintenance of system documentation.

(ii)   Technical support section

6.4.2.4 This section is responsible to the IT manager for:

- server and desktop operating systems;
- upgrades and implementation of upgrades;
- network monitoring and support;
- fault finding and fault escalation to service providers; and
- user support to Region and Branch offices.

(iii)   Data & infrastructure section

6.4.2.5 This section is responsible to the IT manager for:

- database administration;
- maintenance of data standards across Jamsostek;
- liaison with Regional Offices and Branch offices;
- monitoring of Regional and Branch office data management processes;
- maintenance of national data integrity;
- management of data purification and local data collection activities;
- development and Maintenance of the website;
- promotion of e-business to employers; and
- promotion of web enabling in all system developments and provision of consultancy during the application design and development process.

6.4.2.6 The planned IT section is to be structured along functional lines and given the size of the organization is an effective way to use the limited resources. The capacity of the IT section to develop and maintain the critical systems will still be limited in direct proportion to the small numbers of the key, skilled development staff and this exposes Jamsostek to some risk. Experience has shown that when rapid application development occurs in an environment of inadequate resources the important functions such as detailed design, maintenance of standards, documentation, program testing and user acceptance testing are sacrificed in order to deliver the system. Over time this leaves the organization vulnerable to expensive redevelopment of the system that has diverged from the required user functionality and requires expensive *workarounds*[6] for operation and maintenance.

6.4.2.7 The proposed IT structure may be adequate to maintain existing systems but does not have the capacity to undertake the type of re-engineering tasks proposed in the recommendations and that are required in Jamsostek.

6.4.3. Regional office IT organization, roles and responsibilities

6.4.3.1 The Regional office does not perform customer service functions and the IT services are oriented towards data management of data from the Branch offices. Each Regional office (with some exceptions) maintains an integrated database of all of the data in their Branch offices. The primary responsibilities of the Regional IT section are:

- local user support;
- support to the Branch offices;

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[6] A workaround is temporary and sometimes ad-hoc process designed to bypass system functionality or to carry out functions in an alternative manner to compensate for system errors.

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- data base operation and maintenance;
- integration of Branch data;
- data backup;
- payment processing and printing;
- monitoring of Branch office IT performance;
- local IT security;and
- server first line maintenance and escalation of problems to Regional/National offices or outsourced maintenance provider.

Figure 31.   Regional office IT section

JAMSOSTEK Regional Office IT Section (Current)
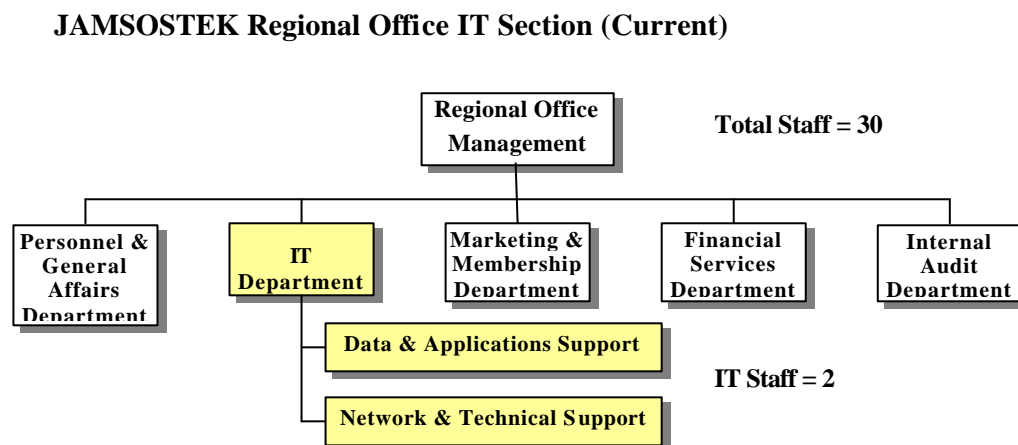
6.4.4. Branch office IT organization

6.4.4.1 The Branch Office is the source of customer information and the IT section comprises three IT staff with the following responsibilities:

- data entry of information;
- local user support;
- data base operation and maintenance;
- data backup;
- payment processing and printing;
- local IT security; and
- server first line maintenance and escalation of problems to Regional/National offices or outsourced maintenance provider.

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Figure 32.   Branch office IT organization

JAMSOSTEK Branch Office IT Section (Current)
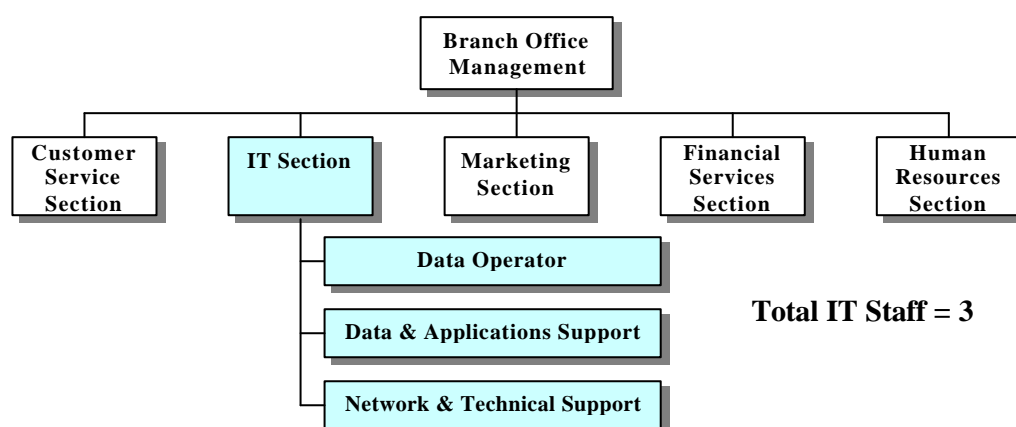
6.5.   Software and applications in Jamsostek

6.5.1   The current core applications in use in Jamsostek are shown in figure 33.

Figure 33.Software inventory

Jamsostek – Core IT Applications							
Title	Program	Major Functions	Development & Maintenance	Programming Language	National Office	Regional Office	Branch Office
SIPT	Operational	Membership Registration, Contribution Payment, Claimant & Benefit Payment.	Developed by 3rd Party Maintained by Jamsostek's IT Dept	PL/SQL		√	√
GL-ORA	General Ledger	Operational General Ledger	Developed and maintained by 3rd Party	PL/SQL	√	√	√
SIJAKA	Taxation system	Taxation	Developed and maintained by Jamsostek's IT Dept	PL/SQL	√	√	√
SDM	Personnel	Personnel Database, Personnel Administration, Payroll System.	Developed and maintained by Jamsostek's IT Dept	PL/SQL	√	√	
SIAT	Fixed Asset	Fixed Asset Management	Developed and maintained by Jamsostek's IT Dept	PL/SQL	√		

6.5.2   The core application in Jamsostek is SIPT and is evolving to become a fully integrated Social Insurance Application that will eventually include all programs. At present SIPT provides functionality for Retirement Programs, Life Programs and Work Injury Programs. Health Insurance remains a series of partially automated locally developed systems.

6.5.3   The overview diagram of SIPT is shown in Figure 34.

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Figure 34.   SIPT Overview diagram

SIPT – Overview Diagram
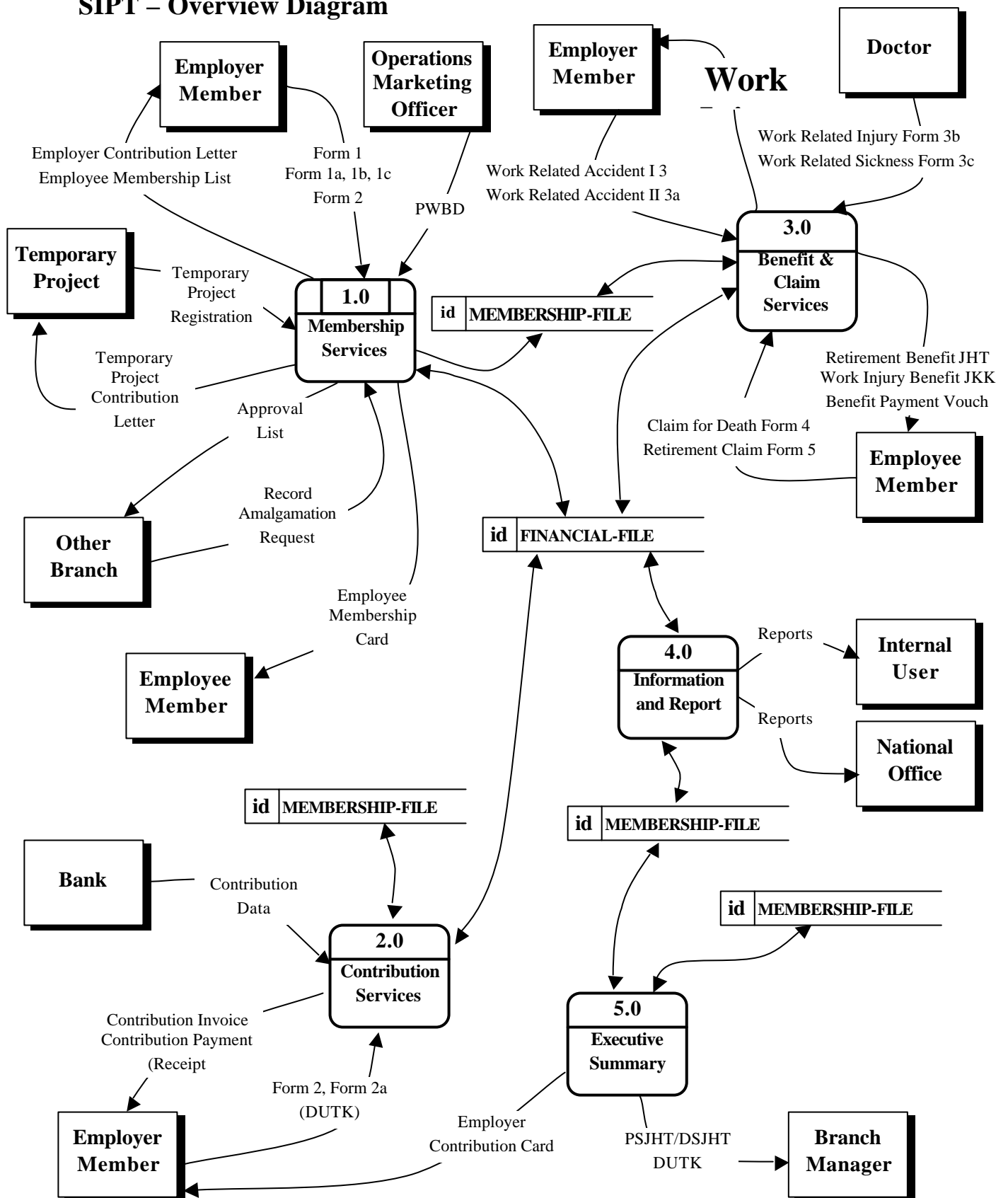
6.6. Hardware

6.6.1   Jamsostek completed a major hardware implementation in 1995 when the operating systems were upgraded to UNIX. Since then hardware has been upgraded on a rolling Region-by-Region basis.

Figure 35.   Current data architecture

CURRENT JAMSOSTEK DATA ARCHITECTURE
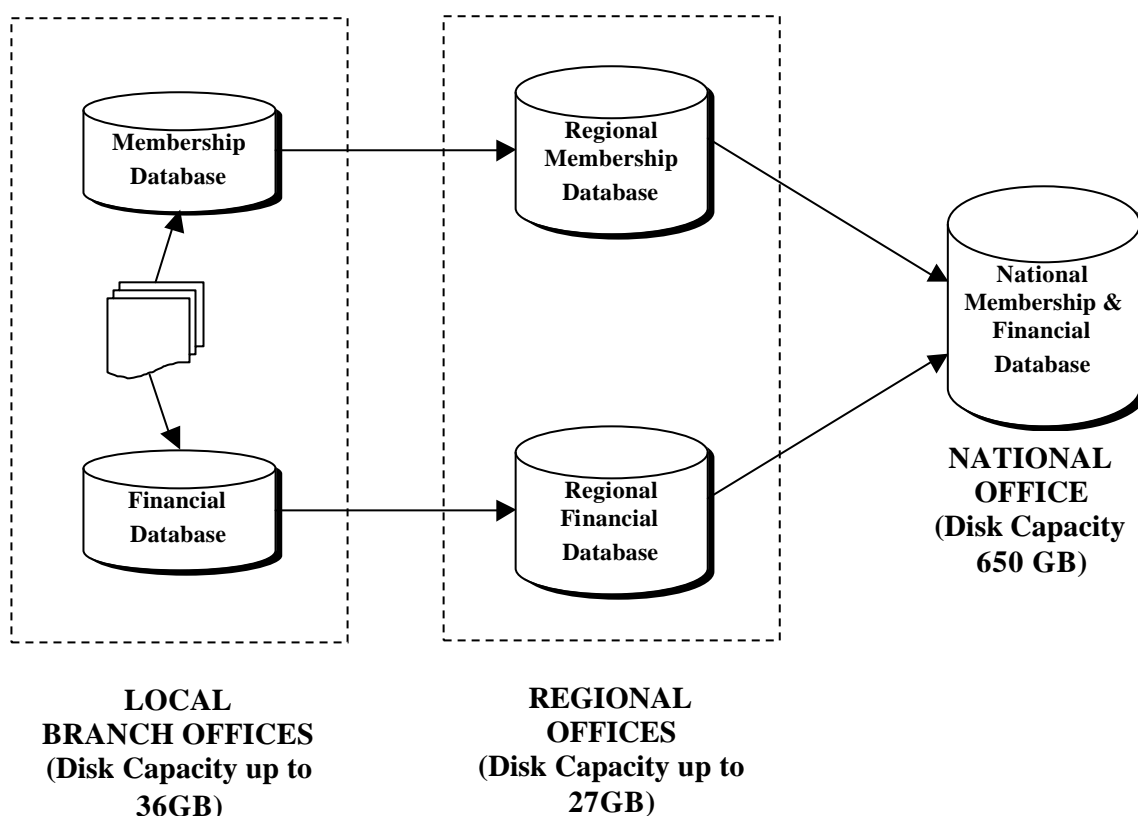
6.6.2   The data capacity in the Branches and Regional Offices varies according to employee membership numbers and some Branch Offices are at up to 87 per cent of capacity, Regional offices at about 60 per cent and National office at 80 per cent capacity. Almost half of this data is for inactive members, which is only accessed infrequently and mostly at the time of claiming for benefits. It should be noted that not all of the Regional offices are able to consolidate all of the Branch office data due to lack of data storage capacity in their regions and this functionality is expected to become available during upgrades planned in 2002.

6.6.3   The inactive data also contains records that have already been paid and are stored with the active operational data. The timeliness standard for payment of retirement claims where the member is inactive and claims as a result of unemployment is in the seventh month after claim (Law No. 3 1993, Article 32 Para 2). Other payment timeliness standards for inactive members are not less than one month.

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6.6.4   It should be possible to archive the inactive and completed claims and retrieve the records on request probably during overnight processing or from local optical or disk storage.

6.7.   Data backup

6.7.1   Data backup routines are run in all Jamsostek sites. The most frequent backups occur in Branch Offices where Grade I offices conduct daily backups and the smaller offices conduct weekly backups. Regional Offices and the National Office conduct monthly backups following the monthly aggregation of data from branch offices.

Figure 36.   Hardware - Server summary

	Type of server	Purpose	Memory	Disk	Operating system	Remarks
National office	Sun E 3000	Jamsostek Database	512 MB	392 GB	UNIX	
	Sun E 450	Accounting, Taxation & Personnel Application	512 MB	72 GB	UNIX	
	Sun E 250	Health Care, Investment & Accounting Data	256 MB	72 GB	UNIX	
	Sun SS5	Model & Development	64 MB	25.2 GB	UNIX	
	Sun SS4	Firewall	128 MB	2 GB	UNIX	
	Sun SS10		96 MB	17.4 GB	UNIX	
	Sun E 2000	Webmail	256 MB	52.2 GB	UNIX	
	NETRA	Web Server	128 MB	2 GB	UNIX	
	ULTRA	DNS Server	128 MB	5.25 GB	UNIX	
	IBM	NT Server	64 MB	4 GB	Windows NT	
Regional office	Sun SS4	Operational Server	64 MB	11 GB	UNIX	Used by 3 Regional Offices (I, IV, VIII) since 1995. To be replaced 2002. Note- Regions I & IV use 2 servers each.
	Sun SS5	Operational Server	64 MB	12 GB	UNIX	Used by 5 Regional Offices (I, II, IV, V, VII) since 1997. To be replaced 2002.
	Sun E450	Operational Server	512 MB	27 GB	UNIX	Used by Regional Office III since 2000
	Netfinity 3000	Operational Server	64 MB	9 GB	Windows NT	Used by Regional Office VI
Branch office	Sun SS4	Operational Server	64 MB	11 GB	UNIX	Used by 44 Branches
	Sun SS5	Operational Server	64 MB	12 GB	UNIX	Used by 15 Branches
	Sun E250	Operational Server	512 MB	Up to 36 GB	UNIX	Used by 11 Branches
	Netfinity	Operational Server	32 - 64 MB	4 - 9 GB	Windows NT	Used by 26 Branches
	PIII	Operational Server	64 MB	10 GB	Windows NT	Used by 2 Branches

6.7.2   The Jamsostek hardware platforms and future equipment procurement strategies are consistent with the business requirements. The current holdings are from a major international supplier recognised as a world leader in the provision of UNIX based systems and is committed to the future of the IT industry. Jamsostek should be protected from redundancy and be able to obtain

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enhancements to software and progressive upgrades to equipment without the need for total replacement of the platform or operating systems.

6.8. Internet services

6.8.1   Jamsostek maintains an Internet site (www.astek.co.id) in English and Bahasa Indonesia with seven main menu options that provide the following information services:

- intranet to authorised internal users;

  - ➤ Logon and password protected access screen (under development);

- Jamsostek Programs

  - ➤ Programs describes the programs of Accident protection, Retirement, Life and Health Care;
  - ➤ Registration describes the basic criteria for membership;
  - ➤ Contribution Payment lists the contribution rates for the types of schemes;
  - ➤ Claim of Benefits provides flow diagrams of the claim process showing the forms required at each stage:
    - ▪ Claim procedures for Accident Protection Program;
    - ▪ Claim Procedures for Retirement Program;
    - ▪ Claim Procedures for Life Program; and
    - ▪ Claim Procedures for Health Care Program.
  - ➤ Kind of Forms list the number and name of the forms used for Membership registration, Contributions, and for application for Employment accident, Death benefits and Old age benefits.

- Company Profile provides the following screen options:

  - ➤ Charter and values statement;
  - ➤ *History* of Jamsostek;
  - ➤ *Commissioners*;
  - ➤ *Directors;* and
  - ➤ The *Balance sheet* for the last two quarters.

- Jamsostek Address provides a map of Indonesia showing the eight Regional Office locations with the facility to list the Regional and Branch offices, their respective physical and email addresses.

- Information provides the following options:

  - ➤ Meaning of the Jamsostek logo*;*
  - ➤ List of the Chiefs of Division, Bureau and Regional Offices,
  - ➤ Claim procedures lists the claim options for the retirement program and the documentary evidence the must be provided with the claim (a download option is available),
  - ➤ Statistics provides options for the following statistical tables:
    - ▪ Complete program;
    - ▪ JPK Program;
    - ▪ Special Program;
    - ▪ Jamsostek Members by Company;

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- Jamsostek Members by Age;
- Jamsostek Members by Sex;
- Jamsostek Members by ILO code; and
- New membership entrants (last 3 years).

- Forum page is still under construction
- Web mail provides:

    ➢ logon and password protected option; and
    ➢ option to send email to Jamsostek.

6.8.2   The website is an information website and its functionality has not yet been extended for business transactions. In the future Jamsostek would like to extend the website to include contributions reporting. At this time the computerisation of business enterprises in Indonesia is limited and is not considered to be cost effective at this stage. However provision of an interactive Internet facility may generate additional demand by employers by virtue of the efficiencies that can be gained by automating the lodgement processes.

6.9.   Application development and maintenance

6.9.1   The IT development process in Jamsostek is an informal process and the degree of formality depends upon the scope and size of the development requirement. Minor enhancements are managed in the section whilst larger developments use a more formal process that involves users in joint application design workshops.

6.9.2   The drivers for the development process are business changes, planned strategic developments, enhancement requests and user fault reports. Until 2000 enhancement requests and faults were logged and incorporated into the maintenance schedule so that *like* changes could be grouped and incorporated into one upgrade. However the logging process has ceased pending incorporation into new IT standards.

6.9.3   Most development projects use operations and services users or other relevant stakeholders in the business analysis process, testing and implementation stages. The normal implementation process is piloting in one branch office or region followed by full-scale implementation.

6.10. IT Security

6.10.1 IT security is delegated to local sites and the current levels of security comprise a single logon identity and password that allows a user to logon to the LAN and to all of the corporate applications.

6.10.2 The access is managed by the IT support officer in the Region or Branch and is often delegated to the office manager in the absence of the IT support staff. It is common knowledge that in some offices all staff members have used a generic password.

6.10.3 An overview assessment of the standard of IT security is that it is generally low and any standards are inconsistently applied across the network. A single access to all systems exposes Jamsostek to the risk of internal and external fraud. It is desirable that only users with delegation to use an application should be given access to the application. For example only users with direct responsibility for the Health Care system should be allowed to access the system through an applications access code in addition to the server logon access. This can be achieved by obtaining a

staff and user profile that identifies the application requirements for each position in the office. The application access code would then allow an individual user access to the applications and products needed for the position. All other applications and products would be denied to that user. This type of two-stage access will give additional confidence over internal fraud and unauthorised access to the server. Additional protection against internal fraud can be obtained by recording on a log file the access details for all critical transactions. This log file can be used to monitor assessor actions and the existence of a transaction log file is a deterrent against internal fraud and misuse of the social security computing application.

6.10.4 Whilst it is accepted that security is an individual responsibility it must be controlled and monitored at the highest levels in the organization and given the importance that is required to maintain acceptable standards.

6.10.5 A typical IT security process used in other large social security organizations has been provided separately to the IT manager in Jamsostek to illustrate the degrees and importance of IT security. This document contains, standards, descriptions and definitions of the security elements.

6.11. Project management

6.11.1 The IT project management methods used in Jamsostek are informal methods and are structured along local lines in the IT Department. The basic elements of an IT project lifecycle of preparation, planning, analysis, design, construction, testing, implementation and post-implementation reviews are understood and used in the National office. However most projects are not formally documented in a structured way and a standard Jamsostek project methodology does not yet have executive endorsement. It is also evident that a structured project management methodology does not exist in the rest of the organization.

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7.   Observations and discussion

7.1.   User comments and requirements

7.1.1   Discussions with Jamsostek users were based on the operational and IT components and to a lesser degree on the organizational structure. The comments from users are mentioned throughout this section and discussed under the relevant topic.

7.2.   Jamsostek performance and service standards

7.2.1   The observations made in relation to Jamsostek overall performance were obtained from a variety of external and internal users and were not always direct observations by the users but in many cases were general impressions obtained over time about Jamsostek. This section attempts to identify the key concerns about Jamsostek that appear to be views held by a number of people in the community. Some of these perceptions about Jamsostek are:

- low level of retirement benefits;
- payments are not indexed;
- low public confidence in the administration; and
- limited access to members.

7.3.   Provident fund performance

7.3.1   Comments from users relating to fund performance were mainly about the following issues:

- restrictions on the investment portfolios and strategies available to Jamsostek;
- relatively low returns from investments in Indonesia;
- reduced returns to members as a result of taxation of Jamsostek as a profit oriented public company;
- investment strategy not open; and
- allegations of government interference in Jamsostek investments in the past.

7.3.2   Many of these perceptions and complaints are dated by some years and have begun to be addressed by the current administration as reflected in the extensive re-organization of Jamsostek that has been implemented over the past year. Other issues are being addressed by the proposal to amend the legislation to convert the existing provident fund to a trust fund managed by a tripartite board of trustees. This proposal will change the management status of Jamsostek from a *Persero* to a non-profit orientated public company such as a *Badan* and the removal of the taxation liability should increase the return to members by higher compounding of interest. It should be noted that as a Persero (government owned limited liability company) that the government has limited it liability to Jamsostek to 62 billion rupiah.

7.3.3   Other reports under this project (in particular, Report No.8 on Financing) will provide options about investment strategies for trust funds that will assist in improving the investment returns and minimise the risk to members. An initial examination of the investment process by an ILO actuary has concluded that the current investment strategy is sound and is in marked contrast to the investment policy adopted in past years. The investment guidelines for Jamsostek funds are described in the following three pieces of legislation:

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- Act 11, year 92 Pension Fund;
- regulation 28 year 96 fund investment; and
- clarification of Regulation 28 year 96 Fund investment.

7.3.4   These acts and regulations provide the basis for sound investment of the funds and their content has been assessed by the actuary as consistent with world standards for investment of pension funds.

7.4.   Access to services

7.4.1   The major types of employee member enquiries made to Jamsostek offices are about account balances and claim rights. The existence of multiple membership records complicates the enquiry workload. Changing the focus from employers to employees will also have a significant impact on the current enquiry workload if employees make contact direct to Jamsostek and not through the employer. The recommended changes to data management will assist in the minimisation of the impact by the creation of single membership records and the National index would allow universal location of members' records from any site.

7.4.2   Jamsostek has an extensive national service delivery network that is already among the largest of the government sector agencies in Indonesia. The current linear expansion formula ensures that new Branch Offices are created when the membership numbers exceed a prescribed limit. The Branch Offices are now centred on the areas of high formal employment. Should the membership eligibility criteria be extended to the informal sector then Jamsostek would face a significant property expansion if the current formula were retained. In addition to this it is estimated that Jamsostek existing membership is less than half of the eligible employees and should enforcement of contribution collection be successful the membership numbers could almost double the current numbers. The property implications of this will be substantial and the service delivery options and a property plan should be considered as part of the business reengineering exercise that could be conducted as part of a future project.

7.4.3   Alternatives to the establishment of new offices are available and most of these options are technology driven. Some examples of other options are:

- use of agencies located in smaller sites as part of provincial administrations, government agencies or non government agencies;
- remote visiting services;
- mail processing centres;
- specialised call centres where most business is transacted over the telephone;
- creation of service delivery shop-fronts in conjunction with larger processing centres;
- contracting out some services; and
- expansion of Internet functionality.

7.4.4   All of these options would have a large impact on the development of IT services in Jamsostek and particularly for the network, hardware acquisition and future development of SIPT.

7.4.1.   Limited benefits of the retirement programs

7.4.1.1 The structure of the retirement program and the benefits to members was presented as an inhibitor to many employees to contribute to the fund. The major comments were:

- final benefit payouts are too low, especially for high income earners;
- restricted to members employed in the formal sector; and
- lump sum is only a short-term retirement payment.

7.4.1.2 Other components of the ILO project for *Restructuring of Social Security in Indonesia* will provide options about retirement programs, contributions and payment options that will assist in improving the value of retirement benefits and insurance coverage of the workforce.

7.4.2. Compliance

7.4.2.1 Compliance was seen as the key to better overall performance of the fund as higher contribution rates would result in higher returns to members and serve to spread the risk across a wider group of members. The current compliance performance was considered to be very low and the key inhibitors were in the compliance and enforcement process that is not coordinated and performed between two organizations, Depnakertrans and Jamsostek. The forms of non-compliance include:

- failure to register as a contributory employer;
- under reporting the number of employees;
- under declaring or depressing the value of wage levels; and
- non-payment of contributions (arrears).

7.4.2.2 A summary of the stakeholder comments about compliance were:

- penalty for non compliance is not seen to be evenly applied across the community;
- long delays in identification of avoidance and consideration of cases;
- collection agency (Jamsostek) has no delegation to investigate or enforce non compliance;
- disputes are investigated and actioned by another agency with limited local knowledge of the individual employers; and
- compliance process is not coordinated at any level.

7.4.2.3 Discussion with Labour Inspectors in DINAS indicated that social security compliance was only a small part of the role of Labour Inspectors. The tools available for inspectors to identify cases of non-compliance were limited and association with other collection agencies (e.g. taxation collectors) was almost non-existent. DINAS is also responsible for the registration of businesses and companies and maintains a record of all companies in the province. The provincial administration through local authorities is also responsible for issuing permits for traders to conduct business in the local area. The labour inspection function for social security appears to be conducted on a reactive rather proactive basis. The major inspection trigger is when employers have declared less than the average minimum wage as part of the monthly contribution process.

7.4.2.4 There are a number of instances where the collection of contributions is not exercised and a typical example is for people contracted to an employer as a day worker or for a particular task. Many employers use this type of employment contract to evade contributions to Jamsostek. The existing legislation (Act 3, 1992, *The Laws and Regulations of The Republic of Indonesia on The Employees Social Security*) covers such workers contracts and provides the method to be used for the calculation of contributions. Close examination of the existing legislation indicates that most employees in the formal sector are covered by the legislation and the membership and contributions to the scheme should be considerably higher than at present.

7.5. Multiple membership

7.5.1   Jamsostek employs a collective membership process, which means that when an employer registers as a contributor to the funds, the employer and each employee are registered as members of the fund. The issue of a Certificate of Employer Membership (CEM) confirms this membership for employers and employees are issued with a Jamsostek Member Card Kartu Peserta Jamsostek (KPJ). The KPJ is based on the employers' registration number and is valid for the life of the membership. In addition to the employers' reference number, the KPJ also contains a Jamsostek unique employee number. The card (shown in figure 37) is required to be produced at the time of claiming for a retirement or other insured benefit.

7.5.2   It should be noted that each time an employee changes employment a new membership card is issued, also based on the registration number of the new employer (provided the employer is an eligible contributor). The reason for this is that contributions and hence membership are linked to the employer and the registration source is at the Jamsostek Branch Office. At this point in time a network to the Regional Offices or the National Office does not logically link the Branch Offices, however Wide Area Networking (WAN) is part of the existing IT Strategic Plan. There is the potential to accumulate a number of membership cards. One for each term of eligible employment, depending upon the frequency of changes in employment.

Figure 37.   Jamsostek employee membership card

FRONT

Name
Date of Birth   Month of Issue
Jamsostek Employee Membership Number
Employer Number   Branch   Employee Number

BACK   Signature of Card Holder

Members Signature

1. Please notify your Jamsostek number and Jamsostek member's rights to family or dependents

2. If you move to another company please notify your Jamsostek number to your new employer

3. This card is evidence of your rights for the Jamsostek retirement program

7.5.3   Members are able to use their card to confirm the value of their benefit in the fund by both telephone and attending at a Branch office customer service counter. In the past the bar code was used in conjunction with a bar code reader to automate claim processing, however the bar code is no longer functional. The value presented to the member is the amount of contribution plus net interest

for that particular employment period and employer code on the card presented. The interest included is only for the last crediting period. The process must be repeated for each membership card. The various contribution periods are not integrated because they will have occurred for different employers and they may have occurred in different regions or branch jurisdictions. This process has created some confusion for members and has contributed to the impression by some members that funds have not accumulated or that funds have been misappropriated.

7.5.4   Some of the major benefits of having integrated records and a unique Jamsostek membership number are:

- only one membership card need be issued to a member for life;
- reissue of cards would be virtually restricted to lost or replacement cards;
- complete member history contained in one data record;
- all of the member data geographically located in the branch office where the member currently lives and works;
- inter Branch office liaison reduced;
- data maintenance easier;
- more reliable information;
- processing of claims will be much quicker;
- better customer service due to reliability and ease of access to information,
- database size reduced, leading to faster processing;
- more reliable management information about membership;
- planning decisions improved by more reliable and accurate information; and
- more efficient and cost effective in terms of human and material resources.

7.5.5   It is a stated goal of Jamsostek to integrate membership and contribution records. This is strongly supported by the review and is a high priority system enhancement. Integration of membership records is dependent upon:

- a unique membership number;
- identification of multiple records;
- only one instance of any customer on the database; and
- national view of data or a national record index available in every Jamsostek office.

7.6.   Unique identification number

7.6.1   A unique numbering system is essential for efficient management of a social security system, particularly for general eligibility benefits that are state funded and require some form of means testing. The unique number system assists in fraud control, prevention of multiple claims, proof of identity, management information, data management, and in maintaining the general integrity of the system. Whilst Jamsostek is currently mainly concerned only with social insurance programs it is likely to become part of an expanded social security system where the importance of the unique number will be paramount.

7.7.   Existing personal identity system

7.7.1   Indonesia has a personal identification system based on regional administrative centres and the issue of identification cards *Kartu Tanda Penduduk* (KTP) are controlled locally. The personal identity guidelines are the responsibility of the Ministry of Home Affairs. The Personal Identity process has its origins in the Dutch colonial era where people were registered in four categories:

- pribumi, local Muslim,
- chinese/east Asian
- european, and
- local Christian, Madura, Minahasa and Ambon.

This categorization has not been officially replaced.

7.7.2   The numbers issued as part of the KTP are numeric (up to 18 digits) and the first six digits represent the geographical area, the second six digits represent the date of birth and the remainder are produced by an algorithm to make the number unique. Computerisation of the process was commenced in 1995 (SIMDUC system) but due to lack of funds to maintain the systems the process has now reverted to manual in almost all provinces and the issue of KTP is recorded in ledgers that are archived in most provincial centres.

7.7.2   The KTP contains the following information about the individual:

- photograph;
- full name;
- address;
- village;
- city;
- blood Group;
- sex;
- date of birth;
- place of birth;
- marital status;
- employment/profession;
- religion;
- expiry date; and
- name and number of the authorising officer.

7.7.4   Lost or replacement cards and five yearly card renewal is the responsibility of the local administrations. The local administrations have generally devolved the issue and management of the personal identification system down to village level. There is also a family identity card *Kartu Keluarga* which is controlled at local level and generally issued at village level. The *Kartu Keluarga* is issued to the head of the family and contains details about the parents and children in the family.

7.7.5   The personal identification number is not unique or constant because a new local or regional number and identity card is issued each time a person moves permanently from one administrative area to another and when the existing card expires after 5 years. The suitability, reliability and integrity of this process as a *national* identity system are not believed to be very high. It is also common for an individual to have more than one KTP particularly where a person has moved from their locality of birth. The original KTP can be retained and regularly renewed in addition to another KTP issued in the new locality.

7.7.6   Whilst a regional numbering process may be suitable for personal identity it is not a suitable substitute for a unique, sequential social security numbering system. There have been suggestions that Indonesia should implement a new national identification system and that the process could take at least three to five years to achieve from decision to implementation[7]. The Ministry of Home

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[7] Asian Development bank – Reform of Pension and Provident Funds Indonesia August 2000.

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Affairs wishes to redevelop the personal identification system to be a truly national and unique numbering system and has initiated a project to examine the requirements and options for a national identity system. This project is supported by GTZ and a three-day workshop for stakeholders was held in Jakarta in late October 2001 to consider the national policy formulation for:

- citizens administration programme (KTP); and
- registration of births, deaths and marriage.

7.7.7   This program is intended to result in the improvement of public administration and implementation of a new national identity and numbering system. Jamsostek staff will participate in the development program as key stakeholders.

7.8.   Jamsostek personal number

7.8.1   Jamsostek already has a personal number that is created at the issue of new membership cards at the time of registration with a new employer. Whilst this number is unique it is only unique to the particular employee for that particular registration and not to the individual.

7.8.2   By altering the data emphasis from the employer to the individual employee, Jamsostek may be able to utilise the existing unique social security numbering system with a cross reference to the regional identification number and employer code. Such a number would achieve the following outcomes and characteristics:

- Jamsostek will have total control over the numbering system design and structure;
- control of the issue of numbers by Jamsostek nationally;
- logically sequenced number;
- national numbering system;
- structured to contain data for basic identity such as sex, year of birth etc;
- contain an algorithm to minimise data entry error;
- logical system trap to ensure that only one member can be issued one number;
- centralised control over deletion of records (numbers) from the database;
- could be cross referenced against other identification numbers if they are contained in the Jamsostek database, e.g. regional identification number, taxation number etc.;
- will allow for the establishment of a national index to provide a national record search function to identify members, location of data, etc;
- integral part of the registration process; and
- linked to the proof of identity process.

7.8.3   The Jamsostek employee number could become unique to the employee by making it the primary search key for the data record and relegating the employer code for each instance of employment as secondary references. The system could be refined to create a link between the active employee number and each employer code. This could allow display of individual employee records to be grouped under the employer code.

7.8.4   After the implementation of a single numbering system the subsequent employment information, including the employer number could be included in the record with the primary search being the Jamsostek number.

7.8.5   Implementation of a unique Jamsostek number is a pre-requisite for the integration of the multiple memberships to the funds into a single record that will provide consolidated, accurate and consistent member information.

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7.8.6   In the event that a national identification system is developed in the future, then Jamsostek may be able to replace its own numbering system with the new system if it satisfies the requirements needed by the Social Security system. Alternatively, Jamsostek could record the new national identification number in the database as a cross-reference and as an additional item of secure proof of identity.

7.9.   Membership record integration

7.9.1   The issues that have resulted in the need for record integration have already been discussed in paragraph 7.3. The process of record integration is a high-risk process that has the potential to affect the core of Jamsostek operations and that is its data holdings.

7.9.2   For this reason the management of a future Membership Record Integration project should be of a high order. A dedicated project team should manage the project from start to finish under the direction of a high level executive steering committee. Such a project could form part of later Technical Assistance projects for implementing the recommendations of the present project.

7.9.3   In order to achieve successful integration, a range of enabling projects should be undertaken to maximise the degree of success and the data integrity of the membership records. The major enabling projects are:

- data purification exercise to identify and correct as many of the incomplete and corrupt records as possible;
- culling of the completed memberships and cancelled memberships from the active database into an inactive records archive after a prescribed time (e.g. six months after last contribution or payment); and
- an operational national social security (or Jamsostek) unique identification number system.

7.9.4   There are currently about 9 million active membership records and about the same number of inactive membership records. The current membership statistics in Figure 7 suggests that about 30 per cent of the inactive records are the result of claims made. Therefore the remaining 70 per cent of inactive records comprise multiple membership records, members who are now unemployed or members employed but no longer eligible to participate in the scheme and members who have died but no claim for Death Benefits have been made by their dependents. An estimate of the number of multiple records will enable the size and scope of an integration exercise to be determined.
Part of the data purification exercise could identify the potential unclaimed death benefits and invite claims from the next of kin of deceased members as a demonstration that Jamsostek has changed from a profit-oriented scheme to an employee-oriented scheme.

7.9.4   Some issues that should be considered for such a membership record integration project are:

- business case for the project;
- statistical analysis of the number and type of records to be integrated;
- the new data structure;
- data sizing exercise;
- hardware and software estimates;
- impact on the General ledger and finance system;
- need to issue a new employee membership card using the national social security (Jamsostek) number;
- project requirements, including specialist IT staff;
- pilot site and testing;

- implementation timing and methodology; and
- cost estimate.

7.10. National Index

7.10.1 The only national view of data that is obtained in Jamsostek is in the National Office. This data is received monthly from the Branch office by the most expedient means available, which is via internet/email or diskette via post or courier. In the National Office the financial data and the modified records are consolidated into their respective databases to produce the latest operations and financial datasets This data is updated monthly and is compared with the consolidated Region data produced by the Regional Offices that has also been transmitted to the National Office. The source of the Regional Office data is also from the branch offices. The national statistics and management information is produced from the national consolidated data.

7.10.2 This national view of data is not available in the Branch offices where all of the customer data is generated and the Branch Offices are not logically linked to each other. In the event that a member has relocated and has a membership record in another Branch then contact is usually made with the previous branch by email, telephone or fax. General information or enquiries for members where data is located in another Branch Office can only be obtained by direct contact with the other branch.

7.10.3 A National Index of members should be produced and distributed to all branches to enable staff in any office to be able to identify a member and location of the existing customer data. The index would only need to contain sufficient data about each member to enable the identification and location functions. Maintenance of the index would require the regular addition of new and changed records to the existing copy.

7.10.4 This arrangement could continue until a WAN is available when direct access to the single copy or Region based copies of the national index could be sustained. The current Strategic Plan proposes that the Jamsostek Regional Offices will all have high capacity data links to the National office by the end of 2001 via Frame Relay connection. This should provide the capacity to transfer data at 1 Mbps (125KBps). The extension of high capacity reliable data communications to the Branches will take longer. The details of future expansion to all Branch Offices is not available.

7.10.5 The typical data elements (sample only) that may be contained in a National Index are shown in Figure 38. The shaded fields indicate data elements that are not currently held for employees.

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Figure 38. National index sample data

No	Data Field	Size
	<CURRENT DATA>	
1	Current Jamsostek Branch Code	3
2	Jamsostek ID Number	13
3	Surname	20
4	First Names	20
5	Address line 1	28
6	Address line 2	28
7	Town/City	20
8	Postcode	6
9	Date of Birth	8
10	Marital Status	1
11	Spouse Name	20
12	Number of children	2
13	Current Employer Code Number	10
14	Status (Active/Inactive)	1
15	Total Benefit (current contributions plus interest value)	10
16	Membership (Retirement, Health,)	4
	Sub-Total	194
	<HISTORICAL CONTRIBUTION SUMMARY>	
1	Previous Employer Code Number (2)	10
2	Total Benefit Accrued Employer (2)	10
3	Jamsostek Branch Code Employer (2)	3
4	Previous Employer Code Number (3)	10
5	Total Benefit Accrued Employer (3)	10
6	Jamsostek Branch Code Employer (3)	3
7	Previous Employer Code Number (4)	10
8	Total Benefit Accrued Employer (4)	10
9	Jamsostek Branch Code Employer (4)	3
	Sub-Total	69
	TOTAL	263

7.10.6   Access to this data in any Jamsostek site could allow the assessor to:

- confirm membership and types of membership;
- identify the member and spouse;
- locate the existing record;
- locate previous records;
- prevent creation of duplicate records;
- answer member enquiries about previous employers; and
- answer member enquiries about estimated benefits in the fund.

7.10.7 An estimate of the potential size of the National Index, expanded to include previous employment information could be derived as follows:

Assumptions
(i)   data size per record of 300 bytes.
(ii)   number of records 15 million.

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    (iii)   about 9 million contributions made per month.

    (iv)   10 per cent variation in data elements on the record other than contributions.

7.10.8   Based on the current population and the data record shown above, the database could be 4.5 GB in size. Regular updates to the data would be relatively small when the changes are taken into account. Branch changes or transfers are about 3 per cent of active members per year and the only other regular change is the *current fund value* field that will change monthly with additional contributions. Based on the assumptions, the nationwide sum of daily changes would be insignificant, whilst monthly changes could approach 100 MB.

7.10.9   The initial installation of such a database could be conducted by various means and would not create many problems, however updating such a file, using dial up modems would be extremely difficult in some remote branch offices. However to download the entire database from the National Office to the Regional office by Frame Relay could be achieved in around ten hours and regular daily and monthly updates (100MB) to Regional offices would be relatively small and able to be achieved within minutes. Alternatively the initial National Index Database could be installed from tape and the regular updates in the Regional and Branch offices can be made by the most appropriate means such as diskettes, CD-R, tape, etc.

7.10.10 A staged approach to the national index could be achieved by making the Regional office the focal point in the short term and over time extending updates to all of the Branch offices. The full functionality and regular daily updates could be extended to all branches as communications capacity permitted. The end state development of the WAN would allow a national view of members' data in all sites across the country.

7.10.11 Use of a national index would allow Jamsostek to take maximum advantage of the fully distributed processing system it currently uses and minimise the system's major disadvantage of maintaining data held in other sites as a result of transfers and multiple employment. The benefits of a national index are:

- minimise the incidence of multiple records;
- identification of duplicate records held in different sites;
- allow a record transfer system to be established so that records can be integrated into the data of the branch where the member is resident;
- index search can become a permanent part of the registration process;
- improve data integrity of the database; and
- produce more reliable management information about members.

7.10.12 The *National Index* would become the front end of the processing cycle for the *Record Search* function and a critical element in the registration process and maintenance of a single record for each member.

7.10.13 The National Index can allow the geographical storage and maintenance of data whilst still allowing automatic updates and processing of the data. The end state of the development of a national index (automatic nationwide updates) can only be achieved when the WAN is fully operational. In the interim, the *National Index* could allow the introduction of the Jamsostek Membership Number, integration of records and the new registration process. Figure 39 shows the operation of the index process within a single site.

Figure 39. The national index in a single site

Branch Office A
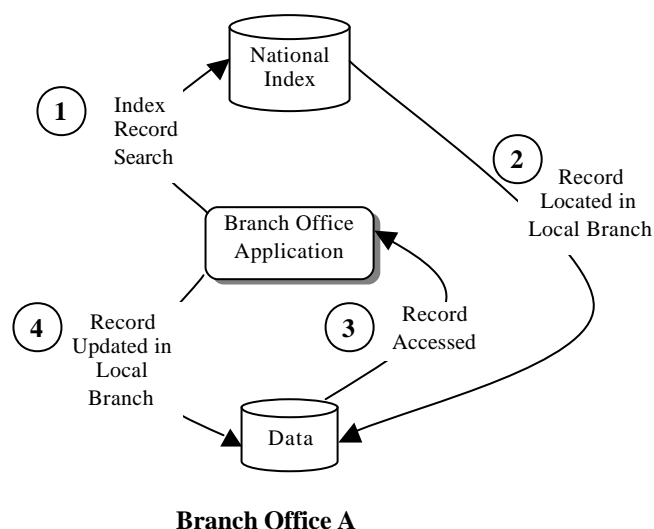
7.10.14 The end state of automatic record updates across the country is shown in figure 40. To achieve this end-state each site across the country would need to have *on-line access to a copy of the National Index*. Analysis of the national telecommunications capacity indicates that most offices should have the capacity to maintain a copy of the national index. The remainder of the Branch Offices would need to have a hybrid process until their communications capacity was extended.

Figure 40. Inter branch record updates
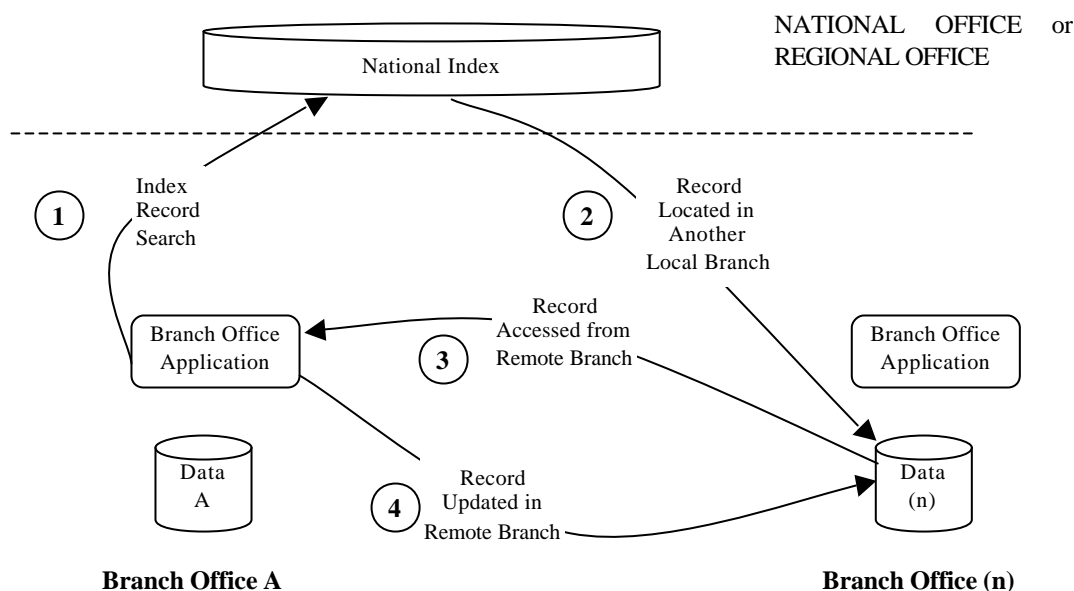
7.10.15 This process will be possible in the future when on-line access is available to all sites in Jamsostek. The geographical integrity of data can be maintained by automatic transfer of the records

that have had details such as address and locality changed so that they now reside in the area administered by another Branch. This automatic transfer could be done overnight as part of the *end of day* processing in each site. The records that have had a change of Branch code can be transferred to the relevant new Branch. Until such time as the communications network is sufficiently established, the record update and transfer process may have to be manual and subject to a phase delay in some remote branches. However the National Index can be operational in all sites and this will support the maintenance of the single membership record and the geographical integrity of data.

7.11. Record integration and national index implementation issues

7.11.1 The existing number of members in Jamsostek is 9,382,786 active records and 9,088,358 inactive records giving a total of 18,471,144 records.

7.11.2 The inactive group of members is made up of members with a range of possible circumstances. Members who are unemployed and have more than 5 years membership in the fund may elect to claim their entitlement on becoming unemployed or they may wish to preserve their benefits in the fund until retirement. Many of the inactive records are likely to be from members who have changed employment and the contributions from the employer pertaining to the record are no longer being made (contributions are employer code dependent). Unemployed members with less than 5 years membership are not able to claim any benefits until total contribution membership exceeds 5 years. Other cases may include members who have changed employment to an ineligible employer or become self-employed and who do not wish to continue to contribute. Such a circumstance normally allows for existing members to continue contributing to the fund as existing members.

7.11.3 Given the limited amount of data held on each employee it is difficult to estimate the likely number of individual records, However, based on the very broad estimates of inter branch changes of 3 per cent per year and the number of claims over a ten year period, about 35 per cent of the *inactive records* could be duplicates of an existing active member. Integration of the records could realise about 13 – 14 million actual members instead of the current 18 million records.

(i)   Stage 1

7.11.4   The first stage of the integration process would need to involve data purification to ensure that obligatory fields exist in each record. At least an understanding of the integrity of the data should be known. From this can be estimated the likely numbers that will require manual intervention in the process of identifying members. It is most likely that some form of data collection exercise may be required to assist in the identification of duplicate records. This data collection exercise could best be undertaken through the employers and it could be used to collect the following information about active employee members:

- current address;
- previous employment numbers; or
- photocopy of previous Jamsostek membership cards.

7.11.5 The additional information about previous employers and their Jamsostek membership numbers would allow for immediate identification and amalgamation of records. The design of the unique Jamsostek numbering process would need to be done concurrently with the data purification process.

(ii)   Stage 2

7.11.6 This stage could be the integration process that should be preceded by testing and trial of the process in a selected site. It is also highly likely that not all inactive records will be able to be integrated due the difficulty in contacting inactive members and the high number of potential positive matches from similar names and dates of birth. There are very few other data fields on the database that would assist in the separation of multiple records.

7.11.7 It will not be possible to integrate all records and there will be a considerable number of records that will remain in the inactive database. These records will need to be retained until contact is made from the members. A standard operating procedure would need to be implemented for all contacts by members whose only record was on the inactive records database. This procedure could obtain the additional relevant data from the member such as residential address, subsequent employment details and any other relevant data that is missing from the data set.

(iii)   Stage 3

7.11.8 Creation of a National Index from the integrated data and balance of the inactive records that would identify the member and would typically contain the information described in Figure 38.

7.12. Interim national index

7.12.1 The end state of a fully networked processing system and national index will take a number of years and would be dependent on funds available to pay for the implementation and maintenance of a national real-time data communication network. As an interim measure it is possible to use a national index for *out of branch* record searches by using the Internet as shown in figure 41. This process would involve modification of the application to search the local database as the prime search and the national index copy (held in the branch) as the secondary search. In the event of a positive result from the national index the application could then use the Internet to connect to the branch identified in the national index for the information. The response(s) could be integrated as a browser based display of the basic contribution history information. The key issues that would need to be addressed are reliability of Internet access in the remote branches and security of information. Using the Regional Office database as the dial in data source and use of appropriate hardware and software encryption on the web servers could address these concerns. An overview diagram of a typical interim process is shown below in figure 41.

Figure 41.   Interim national index option
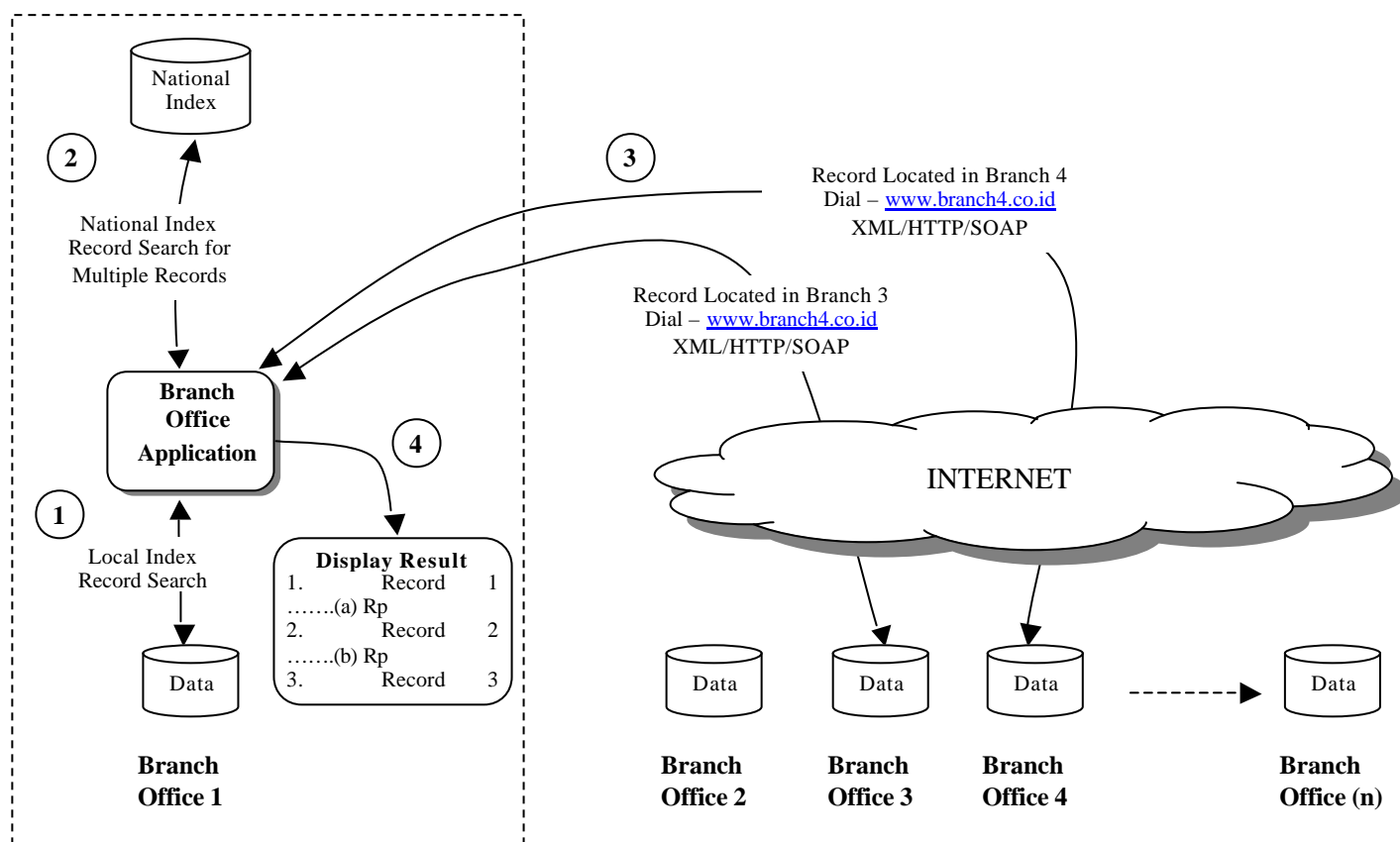
7.13. Registration process

7.13.1   The registration process is a key function in the membership lifecycle and should be used to satisfy the following requirements:

- obtain complete information about the member;
- establish the identity of the member through a standard process of sighting identity documents;
- conduct an index check to determine the existence of any previous record;
- enter and record the details of the member on the database;
- To ensure that appropriate procedures are initiated to advise the members of their rights and obligations of membership to the fund; and
- To create any paper files and documentation that may be required for legal purposes.

7.13.2   The Registration process should be automated as much as possible and a system link should be created which will allow only one customer record to exist and for any new membership request, a search of the existing central index be made obligatory. Where this is not possible in an on-line situation, a delayed (preferably overnight) match should be made to alert for potential duplication of records.

7.13.2   The main elements of a social security registration process are:

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- identification of the contributors - the eligible employers and their employees;
- determining what data needs to be collected;
- procedures by which the contributors can register;
- communication with the contributors of the requirement to register and the procedures to be used;
- provision of an effective information and support service for customers;
- collection of the required information from the employers and employees;
- checking of the information provided;
- entry of the data into the computer system;
- allocation of employer membership number;
- allocation of employee membership number;
- checking of the computerised data;
- error correction;
- confirmation that details are correct by employers and employees; and
- issue of Employer and Employee membership cards.

7.14. Member identification (proof of identity)

7.14.1   Under the current social insurance system, the employer is responsible for notification of new members and performs the primary personal identification. The new member details are documented on Form 1a, which, when completed provides the following information about each employee for the retirement, life and work injury programs:

- employers code (issued by Jamsostek to each eligible employer);
- employee code (issued by company);
- name;
- sex;
- date of Birth;
- salary; and
- remarks.

7.14.2   The focal point of the proof of identity process occurs at the time of claiming for a benefit, at the end of the customer lifecycle rather than at the point of initial registration. The common documents required to accompany any claim for benefits are:

- original Jamsostek Member Card;
- copy of Personal Identity Card; and
- copy of the Family Card.

7.14.3 In addition to these documents, the following documents are required for the specific benefits shown below:

Death Benefits	–	Authentication letter of death.
Permanent Invalidity	–	Letters of reference from doctors supporting the claim.
Leaving Indonesia	–	Copy of passport, Copy of Indonesian Labour visa, Letter proclaiming intention to no longer work in Indonesia.
Members of Armed Forces/Government Employees claiming refund of private contributions - Letter of confirmations of employment in Armed Forces/Government.		
Unemployment	–	Letter of termination from the company.

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7.14.4 As a general principle, the identity of customers on the database should be clearly determined before the data entry because once established on the system it may be difficult to confirm or deny identity later. The issue of a Jamsostek membership card JPK may also support the identification of an individual to other authorities. The current process of determining proof of identity at the time of claim may be satisfactory for insurance type programs but for means tested assistance programs, proof of identity is an essential pre-requisite to registration as a customer to minimise the opportunity for claim fraud. A birth verification process should be established for all members that encourage members to obtain and retain suitable documentary evidence of birth. Ultimately the improved citizens administration process will assist this responsibility.

7.14.5 It is interesting to note that new members are not required to produce or complete any documents of registration, nor are they required to sign any acknowledgments of their rights and responsibilities as members of the Jamsostek fund. This places the total reliance on the capacity of the employer to complete this task.

7.14.6 The proof of identity process for all types of registration needs to be strengthened if Jamsostek is to position itself as the future social security organization for Indonesia.

7.14.7 The client identity (ID) process is traditionally based on documentary evidence with the most secure documents attracting a higher degree of reliability. In Indonesia the availability of documentary evidence is not universal and may take a number of years before high reliability is achieved. By Jamsostek demanding documentary evidence as part of a revised registration process this may increase over time the level of acceptance of maintaining documents in the community. An ID process should include:

- rating documents in order of reliability and security;
- possibly using a points system to grade the confidence of the identity, e.g. the 100 points process similar to that in use internationally and by banks;
- grading ID on a "proved", "partial" and "unproven" categories;
- recording or retaining copies of the evidence sighted; and
- retention of customer signatures as part of ID process.

7.14.8 The ID process should be an integral part of any revised registration process.

7.15. Data management

7.15.1 The existing data structure is adequate for an employer centric social insurance system that relies on the employer to satisfy the registration, information and social security needs of the employees. The data integrity is not high and the duplication of records, absence of records, lack of a complete national view of data and unidentified members is not consistent with a system that can protect workers social security entitlements. The following section describes the data situation and enhancements that should be considered for development.

7.15.1 Data Elements

7.15.1.1 The data elements contained in the SIPT are generally consistent with the overall functions to be performed by the system. However there are some data elements that should be included in the system to strengthen the integrity and record management processes and the most critical of these is the Employee Member Address. Additional data elements should be considered during a business re-engineering of the Jamsostek system.

Employee member address

7.15.1.2 The membership in Jamsostek is focused on the employer who is expected to manage the social insurance affairs of the employees. All correspondence and contact with the individual members (employees) is via the employer and this includes general enquiries about contributions and fund balances. Recent initiatives to move the contact focus to employees include the involvement of the trade union representatives in the local work enterprises to monitor member requirements, and whilst this is an improvement it is still workplace based and through a third party.

7.15.1.3 The only address information contained on Jamsostek data files is the address of the employer.

7.15.1.4 The address of the employee members should be a mandatory field to support the identity and means of contacting individual members. The only means of contacting individual members at present is via the employer. Once the member record has become inactive there is little chance of contacting individual employees particularly in cases where the employer has ceased operations. Maintaining address information could be the means of tracking changes in the Jamsostek Branch and facilitate a transfer of data to the new Branch. It will also assist in the prevention of multiple records on the database. The address field will also provide the opportunity to assist in compliance and education of members by allowing for direct mail outs of specific information, changes in policy, marketing information, fund performance and news bulletins, requests for information and response to individual members enquiries. The address collection exercise could also be used to follow up unclaimed benefits to improve the image of the new Jamsostek.

7.16. Common data

7.16.1   The data holdings in Jamsostek demonstrate some degree of redundancy, especially in the area of person data about describing the member and dependents. In part, this is caused by the lack of a unique individual number and the person name and date of birth are commonly repeated across the data files. The other significant area of data redundancy is the existence of multiple records. The data redundancy would be substantially reduced by the development of a unique Jamsostek membership number and integrated record systems.

7.16.2   In the future, additional benefits may be added to the Jamsostek program responsibility and past experience shows that in such situations, the expedient solution is to add new application programs to the existing suite. This solution is generally of short-term benefit only and can create integration problems for the future and inevitably leads to further duplication of person data and unnecessary duplication of effort.

7.16.3   A better alternative is that within Jamsostek it should be possible to have a data function that records static data about a person (name, sex, date of birth, place of birth, client identification, address, etc) and this would become the core of the *common data*. Other functions that update *benefit specific data* (economic circumstances, specific eligibility criteria, date last paid, amount last paid etc) could do so against the client identity and in this way any original customer data would be able to be reconstituted by joining *common person data* with *specific benefit data*.

7.16.4   In the short term a subset of this common data could be the national index that would be made available to all offices in Jamsostek.

7.16.5   In an expanded social security environment there is likely to be considerable overlap between customers as shown in the following schematic. A *common data* register which interfaces with the *specific data* of the separate insurances and benefits could minimize:

- record sizes;
- data duplication;
- data handling;
- data administration;
- data transfer; and
- maximize:

    - Efficiency;
    - Storage; and
    - access speed.

Figure 42.   **Overlap between social security customers**

Social Insurance Customers (Potential for Jamsostek)
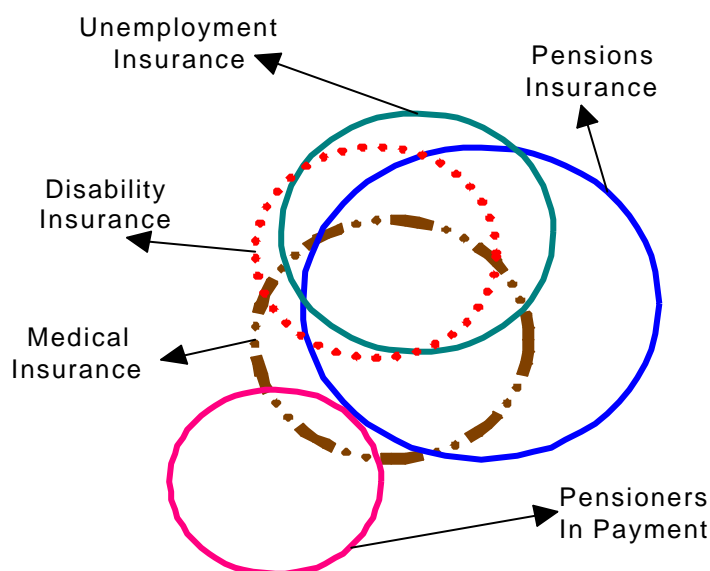
7.16.6   In any complete social security system there is a considerable overlap between customers and a common data record would improve efficiency by only once recording the fixed person data. Future management of customer service will be more effective if one set of customer data exists in Jamsostek. As the lifecycle of a customer transitions from one type of service to another, the single set of data is modified and not re-created with each instance of claim or contact with Jamsostek. In this way customer history is maintained and:

- data entry is minimized;
- data management is simplified;
- data integrity is improved; and
- flexibility to add new services increased.

Figure 43.   Typical social security customer lifecycle

A Typical Social Security Customer Lifecycle
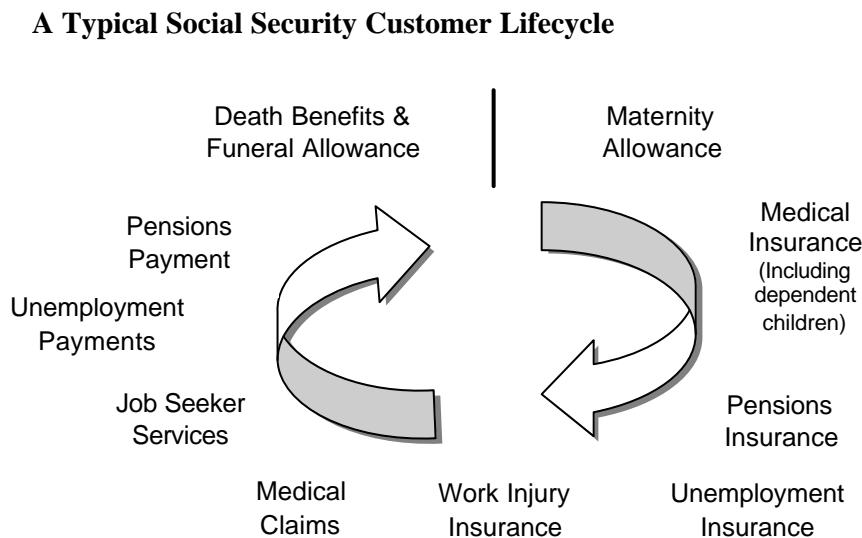
7.16.7   This integrated *common data* record will allow greater flexibility for future social security initiatives that the government may wish to introduce. In many countries additional social security services are paid such as:

• unemployment Benefits;
• child care allowance;
• social Assistance payments;
• short term sickness benefits;
• invalidity benefits;
• survivors benefits;
• dependency allowances (increases in benefits in respect of dependents);
• graduates allowances; and
• payments to rural workers.

7.16.8   Future additional social security payment programs are likely to be phased into Jamsostek and the common data, through linking, could allow groupings to be made such as family units which can give the flexibility to make assessments of need based on family incomes in addition to that of an individual.

7.17.   Contributions in an expanded social security environment

7.17.1   Any expansion of services in Jamsostek is likely to include contributory insurance programs such as unemployment insurance. It is essential that Jamsostek maintain its integrated contributions system. This implies that any future contributory programs will become an integral part of the existing contributions operational and financial systems.

7.17.2 The maintenance of the integrated contributions system with appropriate development should be able to provide the following benefits to the organization:

- Efficiency in accessing data at all levels from national summaries to individual contributors;
- audit-ability and accountability;
- cost control;
- performance standards;
- management Information Systems;
- reliability, recovery, integrity;
- agreed Service levels;
- scalability;
- change control;
- no duplication of common functions (e.g. contributions, payments and client registration); and
- security addressed at an architectural level.

7.18. Regional offices liaison

7.18.1 The Regional Offices visited indicated that they were generally able to complete their task in a satisfactory manner. Data communication between Regional Offices and Branch offices was generally satisfactory in the densely populated areas but more difficult and unreliable in the remote parts of the country. The implementation of better communications between the National Office and Regional Offices is due to commence shortly with the provision of Frame Relay transfer with a bandwidth of 1 Mbps for all of the Regional Offices and Branch Offices in Jabotabek. Over time this facility will also be extended to the Branch Offices in the remaining parts of the Jamsostek service delivery network.

7.18.2 The relationship between *Depnakertrans* and *Jamsostek* at regional level mostly centres on general policy liaison, membership compliance and work injury entitlement disputes.

7.18.3 Depnakertrans is the government department currently responsible for the operational supervision of Jamsostek and there is an obvious division of legal responsibilities and delegation that are contained in the respective laws and regulations. Jamsostek is required to report to the Minister of Manpower and Transmigration (*Depnakertrans)* in relation to policy compliance and general performance.

7.18.4 Jamsostek is responsible for the registration of members and collection of contributions from employers that is authorised by Article 22 of Act 3, 1992 for the executive agency (Jamsostek) to collect contributions. Whilst these functions are performed in Jamsostek at branch level, the Regional Office is responsible for the performance of all of the branches in its administration. Jamsostek is legally obliged to reject membership applications from employers where they demonstrate that they are ineligible to participate in the schemes because of the number of employees or the total incomes paid to employees. However Jamsostek does not have the delegation to investigate employers suspected of providing incorrect information about the numbers of employees or total payroll. Depnakertrans retains this authority.

7.18.5 All disputes between employers and Jamsostek over contributions, membership and claims for benefits are referred to Depnakertrans in accordance with the regular liaison processes agreed between the organizations. The dispute process has been described as slow and cumbersome with unreliable reporting of the outcomes to the initiator in Jamsostek. The local Disputes Committee handles disputes in Depnakertrans and the only avenues of appeal are to a higher authority within Depnakertrans.

7.19. Compliance and appeals

7.19.1 The current process comprises the identification of non-compliance in Jamsostek and referral to Depnakertrans, for investigation, decision and appeal. The compliance process, especially for membership of the retirement and work injury programs does not appear to be totally satisfactory and is reflected in the low contribution take up rate of about 40 per cent of potential.

7.19.2 The compliance function is performed outside of the organization that is delegated to collect contributions and to assess benefit claims. In addition to the multiple handling of compliance cases and complaints, this process can facilitate exploitation of the division between agencies and introduce unnecessary delay. Whilst there should be a division of responsibility it is perhaps more appropriate that the division occur between the compliance decision and the appeal. This would allow the authorised agency to complete the full range of its responsibilities with regards to collection and compliance and its decisions should be subject to appeal to a body that is impartial and independent of the original decision makers.

7.19.3 The Jamsostek organization is more broadly distributed throughout the country than that of Depnakertrans, with 8 Regional Offices and 108 Branch offices whereas there are 15 Area Offices in the Depnakertrans service delivery network. In accordance with devolution under the Regional Autonomy program, many of the functions of the Depnakertrans local network have been devolved to provincial government authorities. From January 2001 the Regional Governors of the thirty two (32) provinces have been responsible for the administration of most of Depnakertrans (and other national government) policies in their regions and provinces.

7.19.4 Government ministries and departments are subjected to Regional autonomy whereas and government owned limited companies and enterprises such as Jamsostek are exempted from local devolution of facilities and resources and Jamsostek still maintains a nationally directed and controlled organization.

7.19.5 The Jamsostek Branch offices are located in the main centres of employment and are continually subject to review and expansion in accordance with the Branch office distribution formula. The issues that support more Jamsostek responsibility for the compliance function are:

- branch offices hold current data about employers and employees;
- Jamsostek case managers in each Branch are responsible for a fixed number of employers;
- closer access to the employers and workers;
- local information about employment and contributions activity in the area;
- have the responsibility for memberships to the funds;
- more efficient to handle compliance issues directly;
- more incentive to collect contributions; and
- ability to have control over the progress of the enforcement process (e.g. so that current compliance cases can be followed without prejudice to possible proceedings).

7.19.6 Should Jamsostek become responsible for social security compliance then the implications for IT include the requirement to establish a compliance case management process to track and report on cases started, pending and completed.

7.19.1. Compliance principles

7.19.1.1 Compliance and fraud minimization are key elements in the equality principle of targeting social security payments to those most in need. It is also central to compliance and payment only to

those with a legal entitlement to social security benefits and services. Compliance is a national, program-wide responsibility and the current focus in Jamsostek is compliance of compulsory membership, collection of contributions to the funds and internal fraud. This focus could change in the future, especially if means tested or compliance based payment programs are introduced. The key principles for compliance and fraud minimisation are:

- prevention - to have systems and procedures in place that minimize the risk of understated salaries, incorrect contributions and payments;
- detection - to detect incorrect contributions and payments at the earliest possible stage if they do occur; and
- deterrence - to deal decisively with cases that are detected, thus creating a public recognition of the risks and penalties involved in attempting to defraud Jamsostek and also to promote voluntary compliance.

7.19.1.2 A revised compliance process should have:

- a strong local focus;
- a prevention strategy that includes an information strategy, process controls and inter-agency liaison;
- the delegation to actively promote compliance;
- the ability to react quickly;
- a compliance plan coordinated at all levels, national, regional and local;
- provide local review of decisions; and
- division of responsibility between decision and appeal.

7.19.1.3 Additional studies on compliance and fraud control are planned as parts of the ILO project *Restructuring Social Security in Indonesia*.

7.20. Data entry management

7.20.1   The key elements in Jamsostek business are its data holdings, the maintenance of accurate data that reflects the needs of the organization and data that is accessible where and when the business requires it. There are instances where the data holdings do not reflect the actual situation in the organization. The users procedures manual *System Procedures for Jamsostek Program Integrated Services*, describes in detail the processes that are to be followed for all work processes. In some Branches offices data entry is many months in arrears. This causes considerable disruption to work practices when the Services section user identifies that a member record is incomplete and the process of resolution involves Operations section staff (responsible for data entry) and IT staff responsible for data holding. The arrears situation arises when all key data entry positions are not filled in the Branch offices and from inadequate monitoring of workload in the office.

7.21. IT Organization

7.21.1 The IT staffing requirements have been examined in detail and it is evident from the distributed architecture, distributed processing and operating requirements that the current staffing establishment in Branch and Regional Offices is barely adequate. The distributed processing requires that skilled and capable staff must be able at all times to effectively manage the processing and maintenance of data systems. IT support should also be available at higher levels as an escalation path for critical faults.

7.21.2 It has been estimated that about 25 per cent of the IT positions remain vacant and that some Branch Offices are operating without trained IT support staff. This exposes Jamsostek to high risk of data failure, corruption of data and potential loss of data integrity.

7.21.3 Recruitment and retention of IT staff is an essential function for Jamsostek in order to maintain the critical tasks in the Branch Offices. It is evident that employment conditions are not commensurate with the value of the skills to the organization. IT staff in some offices have transferred to member account positions in anticipation of future performance bonuses that will provide greater financial rewards than the IT positions. It is imperative that incentives are provided, if necessary, to attract and retain skilled IT staff at all levels in Jamsostek.

7.21.4 There are two essential data management functions that must be performed in Jamsostek if it is to achieve the degree of data integrity and accessibility to be able to accommodate the potential expansion in its membership base. These positions are the Data Administrator and the Database Administrator and a description of their roles is shown below. These positions are in addition to the data operators who perform the routine operations tasks directed by the Database Administrators.

7.22. Data administration – key functions

7.22.1 The Data Administrator is the manager of the organization's data and should be the senior IT executive with access to the Jamsostek executive and management board. The ultimate responsibility on how Jamsostek will manage and maintain its data now and in the future are the responsibility of the Data Administrator. There should be one Data administrator in Jamsostek. Typical responsibilities of the data administrator are:

- consultancy - offering consultancy on all aspects related to an organization's meta-data, particularly expertise in data analysis;
- corporate awareness – education of the organization about the importance of data and disseminating information about what data exists and for what purpose;
- corporate requirements – identifying corporate requirements, particularly building a corporate data architecture which incorporates strategic planning;
- data analysis – coordinating the use of a standard data analysis methodology and its use to develop business data models;
- data control – implementing standards for ensuring access is controlled and that suitable recovery processes are in place;
- data definition – implementing standards for the definition of data and controlling the medium for the recording and storage of such definitions;
- data integrity – implementing the standard mechanisms for ensuring the integrity of Jamsostek data and documenting the rules for ensuring integrity;
- data dictionary management – promoting the use of a logical data dictionary and standards for its control and monitoring the use and content of the data dictionary;
- data privacy – implementing procedures to ensure that Jamsostek complies with any national data regulations; and
- data sharing – encourage the sharing of data across applications and to promote the idea that data is independent of applications.

7.22.1. Database administrators – key functions

7.22.1.1 The Database Administrators are the technical database managers and are responsible for distributed data sites, their maintenance and operations. These positions are critical in Jamsostek due

to the distributed data and processing architecture. The Branch Office is the source of all data in Jamsostek and the reliability, accuracy and integrity of this data reflects these parameters in the National data, on which management decisions about Jamsostek are made.

7.22.1.2 The future IT organization for Jamsostek proposes the establishment of eight (8) Database Administrators in the National office to support each of the Regions, including the Regional Office and the associated Branch Offices. The core responsibilities of the database administrator are:

- data archiving – establishing a strategy for culled or obsolete data;
- data backup and recovery – establish the procedures for data backup and recovery from hardware and software failures;
- data control – establish user groups, assign passwords, granting access to DBMS facilities, granting access to databases etc;
- data standards – ensuring that physical data is documented in a standard way such that multiple applications and end users can access the data effectively;
- impact assessment – assessing the impact of any changes in the use of data held within database systems;
- monitoring data usage and tuning database systems – monitoring live running of database systems and ensuring the effective performance of the systems;
- physical design – the physical design of and implementation of databases (national office only);
- privacy, security and integrity – ensuring that the strategies laid down by the data administrator for privacy, security and integrity are adhered to at the physical level; and
- training – responsible for the education and training of users in the principles and policies of database use and in particular the data operators and IT personnel in each of the regions and branches.

7.23. IT practices and standards

7.23.1 In a mature IT organization the IT standards and procedures have usually evolved over a long period of time and the standards have become entrenched in the IT operations. The IT Strategic plan for this type of organization does not always provide a detailed section on practices and standards.

7.23.2 In a developing or relatively young IT organization like Jamsostek the development of IT practices and standards is an essential part of the IT management process. These practices and standards can be described in the IT strategic plan or as a discreet strategic document.

7.23.3 Some of the practices and standards, which must be developed in an effective and responsive IT organization include:

- change management process;
- IT Project methodology and the preferred support tools;
- planning methodology and procedures;
- development methodology including the use of CASE tools, platform, middleware etc;
- user involvement in the IT development cycle;
- data standards;
- data management;
- testing strategy;
- infrastructure development and management;
- user support;

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- training strategies available and preferred;
- implementation methodology;
- fault reporting and management; and
- documentation maintenance and standards.

7.24. General IT principles

7.24.1 To be able to be considered the natural core organization for future social security expansion, Jamsostek will need to strengthen its operations and IT systems so that it can evolve and adapt rapidly to:

- accommodate and facilitate the delivery of new and changed business services;
- take advantage of new technology that will allow IT services to be delivered more cost effectively; and
- minimize the levels of business and technical risk.

7.24.2 The IT Systems architecture should be sufficiently modular to permit individual components to be changed or added to meet emerging business needs and to take advantage of more cost effective technologies.

7.24.2 The architecture should be:

- scalable, which means that as the IT workload increases, components of the same type as those already in the Architecture can be easily added to meet the rise in demand;
- flexible, which means that the Architecture will be amenable to change and will not lock the organization into any one particular strategy. An example is the ability to move functions between servers and workstations;
- open, which means that the components of the Architecture will interact via defined interfaces and standards, thus achieving a high level of vendor independence and the ability to rapidly take advantage of new technologies (by having an explicit migration path to more advanced technologies);
- secure, which means that the Architecture will not allow unauthorised access to the organization's data and information, and new and existing policies and standards relating to privacy and security will be able to remain in force;
- cost-effective, which means that the Architecture represents the best value for money option of delivering IT services, at least, the following factors should be considered in determining this:

  - whole-of-life hardware, software and communication costs;
  - the ability to deliver acceptable levels of availability, performance, flexibility and manageability; and
  - the ability to reuse components in the future;

- Manageable, which means that the function of all components in the Architecture will be both understandable and controllable.

7.24.1. Architecture characteristics

7.24.1.1 The Architecture should also provide the following transparencies to both end-users and applications:

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- Access, which hides the differences in data representation no matter how and where the data is held;
- Location, which hides the location of the physical devices, data and applications from the users that interact with them;
- Replication, which hides the effects of providing a single service using a number of duplicated interfaces or data working in concert;
- Concurrency, which hides the existence of concurrent users of services;
- Migration, which hides the effects of services moving from one location to another while clients are interacting with them; and
- Failure, which hides the effect of partially completed service requests that fail.

7.24.1.2 The general IT principles that apply to Jamsostek should be identified and prioritised and used to test that current and future elements of the architecture or systems conform to the principles. This can assist IT planners to ensure that the best possible solutions are found for the needs of Jamsostek. These principles should also be reflected in the IT Strategic Plan.

7.25. Hardware issues

7.25.1 The general performance levels in Branch and Regional Offices appears to be satisfactory in the current environment and membership numbers and claim rates. There is no formal measurement of response times or service standards of the servers and other hardware. Server performance and reliability should be available from the maintenance contractors. The hardware replacement program provides for upgrades on a continual basis in accordance with the annual IT budget.

7.25.2 The ability of the existing architecture to support an expanded Jamsostek can only be determined when the future requirements are engineered and the IT architecture exercise has been undertaken.

7.25.3 Amalgamation of multiple membership records and archiving of the inactive records could see the data holdings reduce to about 50-60 per cent of Installed capacity. This would allow for significant expansion of membership and to improvements of access and processing times.

7.26. Management information (MI)

7.26.1 MI in Jamsostek is provided at all levels in the organization. In Branch Offices data is extracted from the local database and exported into spreadsheets (usually MS Excel) and this constitutes a limited amount of MI. There is no Executive Information (EI) about timeliness or about the stages of completion of any of the major workflows and processes. This is a planned enhancement to SIPT. The Regional Offices adopt a similar approach to their MI requirements.

7.26.2 The National Office also produces MI from the national integrated database and this is the only national statistical view of Jamsostek operations. Most of this statistical output is available on the Internet site.

7.26.3 A Management Information System is one of the high priority development plans for SIPT.

7.26.4 MIS and EIS are critical components of Jamsostek operations and managers at all levels require information about the quantity and quality of work processing together with a predictive capacity to extrapolate trends to assist in the development of the service delivery network and future programs. A future component of the project will identify key result areas for administrative performance and client service together with formulation of performance indicators.

7.27. Health insurance

7.27.1 The current legislation allows for exemption from health insurance membership for employers that can demonstrate their employees are covered by equivalent health care provisions to those offered by Jamsostek. As there are no clear guidelines or evidence available, virtually all statements of exemption by employers are accepted. Only about one tenth of the employers that are active in the retirement and disability programs are also members of the health insurance scheme.

7.27.2 For Jamsostek to be an effective competitor in the provision of health care services and to increase the compulsory membership above its current 1.5 per cent of the population then a number of improvements to the program will be necessary. Some of these improvements are:

- increase in membership to minimise risk;
- improvement of services to attract more members;
- removal of the salary limitation on membership contribution;
- better selection and control of providers;
- automating the health care claims process; and
- repeal of the opt-out clause in the legislation.

7.27.3 Automating the process will have considerable associated costs and will require development of a new computing application. This could not be achieved within existing resources without severe restrictions on all other IT development and maintenance within Jamsostek. Additional hardware and significant upgrades would also be necessary to maintain a fully automated health care system. An alternative option could be to purchase an *off the shelf* health care system either independently or jointly with some of the other health care schemes.

7.27.3 It is also questionable whether there should be a number of government sponsored health insurance programs and that the integration of existing compulsory insurance schemes into one organization could have the following benefits:

- more efficient service delivery;
- spread the health risk across a wider range of members;
- wider range of providers from integration of agencies;
- economy of scale from a larger membership; and
- common computing application system that will minimise the current duplication of resources in maintaining multiple different systems across many organizations.

7.27.5 Another component of the ILO project, *Restructuring Social Security in Indonesia*, will produce detailed recommendations for the future of the Jamsostek health care program.

7.28. Business re-engineering exercise

7.28.1 The Jamsostek computing environment and its enterprise architecture must be strengthened if it is to expand its membership numbers and potentially extend the functionality and services to members. Significant systems re-development is required in the data structure and data management areas in order to address the essential improvements in the key programs such as:

- shifting the service focus from employers to employees;
- elimination of multiple memberships;

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- improving contributions compliance; and
- improving service to members.

7.28.2   The elements described below should form the core elements in any business re-engineering process:

7.28.1. IT strategic planning

7.28.1.1 The current IT Strategic Plan is maintained by the IT manager and the plan is an informal plan based on endorsement from the Director of Finance and IT. The plan is essentially a set of priority developments based around the current architecture and business rules. These business rules do not take into account the potential outcomes of the national working party on social security reform or any of the major enhancements identified in the ILO project *Restructuring Social Security in Indonesia*.

7.28.1.2 The current IT strategic priorities are:

- extending the communications network in two stages, firstly to the Regional offices and Jabotabek Branch offices and secondly to the remaining Class I Branch Offices;
- continued development of SIPT;
- hardware replacement of oldest servers throughout 2002; and
- data purification of current member records.

7.28.1.3 The IT strategic plan should be reviewed to establish the direction of the future IT development needs in Jamsostek and to foster IT development in accordance with the business needs.

7.28.2. Business needs

7.28.2.1 Prior to completion of the IT strategic plan, extensive details will be required about the business needs of Jamsostek to enable the IT is to support those needs. The business needs should provide the future details about:

- Jamsostek Mission;
- Jamsostek Goals;
- business outcomes required;
- service delivery model (based on customer lifecycle);
- delivery network expansion plans;
- potential for devolution of further services;
- plans for the introduction of new services or benefits;
- service standards to be achieved including the timeliness, volumes, rates etc;
- management information requirements; and
- growth estimates and future capacity requirements.

7.28.2.2 The business application development in Jamsostek is not exclusively driven by the business and much of the development responsibility is vested in the IT Branch. International experience and future industry predictions suggest that the biggest changes affecting business wide applications is the formal shifting in application responsibility from IT to the business. The business or program owners are in the position to establish value for implementing business-wide applications and determine the pace of change in expanding them. To date, most business-wide applications have been implemented with the expectation of integrating key business processes

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resulting in a more effective and efficient business operation. This direction ensures that the business drives IT development in accordance with business priorities and not for IT or equipment preferences.

7.28.2.3 Jamsostek has the opportunity to develop this business driven IT environment and the key factor in this is to develop the *business needs* so that the IT centre can respond to developing solutions for those needs.

7.28.2.4 This process of business re-engineering should be a business driven process and not technology driven. The following schematic shows that technology is only applied to assist in the solution once the new or redefined business processes have been identified.

Figure 44. **Business re-engineering**
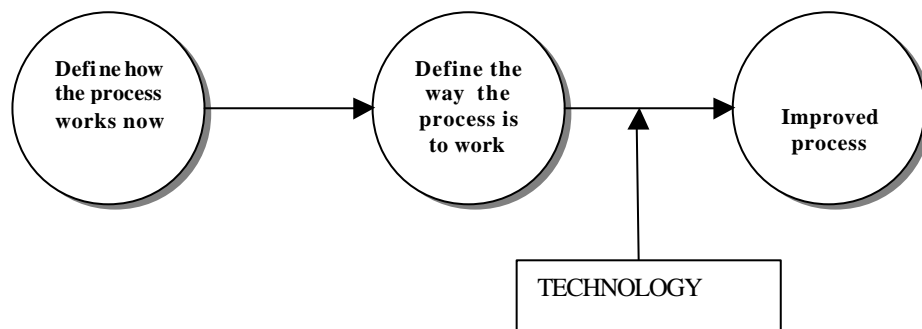
7.28.3. Business development workshop

7.28.3.1 It is essential that a business re-engineering planning workshop be conducted for key Jamsostek staff with an desired outcome to produce a revised business plan, an IT strategic plan and IT implementation and development plans.

7.28.3.2 In order to achieve these goals some of the pre-requisites are to conduct further executive study tours that can provide the opportunity for senior managers to compare other social security institutions in order to better understand the issues now facing Jamsostek. These study tour should be conducted in conjunction with study tours for IT technical staff to enable them to identify the options available to Jamsostek for the re-design of its current computing environment, data design, data management and IT organization.

7.28.3.3 Other pre-requisites include the completion of a full inventory of existing systems and their functions, information from other components of the ILO project *Restructuring Social Security in Indonesia* and user requirements. A business needs workshop comprising joint users and that addresses the key issues confronting Jamsostek should follow the study tours with the outcome designed to prepare the organization as the core social security organization in Indonesia.

7.28.3.4 The key pre-requisites for Jamsostek to succeed in its future IT development are:

- a business plan;
- an IT strategic plan either separate from or included in the business plan;
- executive commitment to the role of IT in the business process; and
- adequate number of skilled IT resources commensurate with the IT tasks.

7.28.3.5 An overview of the recommended IT development planning process for Jamsostek that was undertaken as part of this project is shown in figure 45.

Figure 45.   Business re-engineering plan for Jamsostek

Overview of IT Development Plan for Jamsostek

	End Sept 2001	**Mid Feb 2002**	**Late Feb 2002**	**Late March 2002**
OBJECTIVE	**ILO REPORT (Draft)** Review of operations and IT systems in Jamsostek	IT JOINT PLANNING SESSION **(including users)** / IT PLANNING SESSION **(IT Specialists)**	STUDY TOUR **Destination able to satisfy objectives**	PRESENTATION TO MANAGERS & THE EXECUTIVE
REQUIREMENTS		**Using inputs from:** • ILO Report, • Study tour reports, • Existing plans, • Other reports from ILO project **Conduct planning session using:** • Senior management representatives, • National office staff, • Regional Office staff, • Branch Office staff, • IT Staff from all levels, **Using outputs from planning session review IT Architecture and conduct design session to:** • Review IT strategic plan, • IT development plan • IT projects and priority	**Investigate options for the business reengineering of Jamsostek systems including:** • Institutional org between host Ministry & service delivery agencies, • Mirrored data centres, geographically separated, • Data Index • Data management in distributed systems, • Integration of system and data, • IT Architecture, • Service delivery methods, • Web services & other technology including call centres, • MIS and data warehousing	**Presentations to senior managers to enhance IT management concepts:** • Overview of IT management problems, • Example of a major Social security organization, • Issues for Jamsostek, • Recommended strategic IT direction for Jamsostek
OUTPUTS	**Produce reports on review of operations and IT systems, key elements:** • Observations, • Recommendations, • Priorities,	• Review IT strategic plan, • IT development plan • IT projects and priority	**Produce reports on each element of the study tour to show:** • General points of item, • Relevance to Jamsostek, now and in 3 years, • Options for Jamsostek, • Recommend suitability of concept for Jamsostek	**Presentation to managers about outcomes of planning workshop and study tours:**

8. Conclusion

8.1. Social security schemes - The future

8.1.1   There are a number of immediate amendments to legislation and other recommendations that ultimately may be pursued and could substantially change the business rules for Jamsostek and they are:

- amending Law 3 of 1992 to convert Jamsostek from a Persero to a public social security organization, controlled by a tripartite board charged with administration of a trust fund;
- extending over time, the current retirement, death benefits, maternity and health care benefits to a larger proportion of the population i.e. from 42 per cent of the formal private sector workforce and 12 per cent of the labour force to the entire non military and government work force including the informal sector;
- introduction of periodical pension payments, in addition to, or in conjunction with, the lump sum retirement benefits; and
- additional means tested schemes such as unemployment benefits, social assistance and other poverty alleviation programs that could be either contributory or non-contributory programs.

8.1.2   In order for Jamsostek to be seen as the core agency for the future public social security service delivery, the operations and IT systems will need to be extended, simplified, become more flexible and responsive to change. To achieve this, the basic core functions and procedures described in the recommendations section should be implemented as soon as possible.

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9.   Annexes

Annex 1. Depnakertrans

Figure 46. Depnaker Organization

Minister of Manpower and Transmigration

Senior Advisor to the Minister

Secretary General

Inspectorate General

Board of Research & Development for Manpower & Transmigration

Information & Transmigration

Board of Education & Training

Secretariat (under Inspectorate General)

Secretariat (under Board of Research & Development)

Secretariat (under Information & Transmigration)

Secretariat (under Board of Education & Training)

Under Secretary General:
- Bureau of Public Relations & Int'l Coop
- Bureau of Planning
- Bureau of Personnel & General Affairs
- Bureau of Finance
- Bureau of Legal Affairs & Organisation
- Committee for Labour Disputes Settlement

Under Inspectorate General:
- Inspectorate Region I
- Inspectorate Region II
- Inspectorate Region III
- Inspectorate Region IV

Under Board of Research & Development for Manpower & Transmigration:
- Centre of Development for Manpower
- Centre of Development for Transmigration
- Development Centre for OSH & Company Hygiene
- Centre for Information System Development
- Centre for Manpower Information
- Centre for Transmigration Information

Under Information & Transmigration:
- Centre for Personnel Information & Training

Under Board of Education & Training:
- Centre for Training Development of Service Industry
- Centre for Training Development Manufacturing Industry
- Centre for Community Training Development

Directorate General of Manpower Training Development & Domestic Placement
- Secretariat
- Directorate Standardisation & Competency Certifications
- Directorate of Manpower Training Development
- Directorate of Manpower Productivity Development
- Directorate of Manpower Supply & Utilisation
- Directorate of Employment Creation & Expansion

Directorate General of Manpower Overseas Placement & Development
- Secretariat
- Directorate of Occupational Guidance & Analysis
- Directorate of Employment Promotion & Placement
- Directorate of Overseas Institution Development
- Directorate of Overseas Protection & Empowerment

Directorate General of People Mobility
- Secretariat
- Directorate of Potential Development for People Distribution
- Directorate of Domestic Migration & Urbanization
- Directorate of Domestic Transmigration Mobility
- Directorate of Social Economy Capacity Development
- Directorate of Resettlement

Directorate General of Transmigration Area Empowerment Resources
- Secretariat
- Directorate of Regional Potential Development
- Directorate of Area Planning & Development
- Directorate of Resource Utilization
- Directorate of Investment & Partnership
- Directorate of Harmonious Environment Creation

Directorate General of Industrial Relations & Labour Standards
- Secretariat
- Directorate of Industrial Relations Institution Development
- Directorate of Terms of Employment & Labour Disputes Settlement
- Directorate of Social Security, Wages & Development
- Directorate of Occupational Health & Safety Standards
- Directorate of Labour Norms Inspection

Annex 2. Indonesia administrative divisions

NOTES

This map shows the 26 Regional areas prior to January 2001. There are now 32 Administrative Regions.

1. Six existing regions have been split to create 32 Regions, The new regions come from Sumatera Selatan (Banka – Belitung), Jawa Barat (Banten), Sulawesi Utara (Gorontalo) and Maluku (Maluku Utara)and Irian Jaya has been split into (Irian Jaya Barat), (Irian Jaya Tengah) and (Irian Jaya Timur)
2. Irian Jaya is now known as Papua.

PROVINCES

I	Daerah Istemewa Aceh	VIII Lampung	XV Kalimantan Tengah	XXI Sulawesi Tenggara	**XXVII** Irian Jaya Barat
II	Sumatera Utara	IX DKI Jakarta	XVI Kalimantan Selatan	XXII Bali	**XXVIII** Irian Jaya Tengah
III	Sumatera Barat	X Jawa Barat	XVII Kalimantan Timur	XXIII Nusa Tenggara Barat	**XXIX** Irian Jaya Timur
IV	Riau	XI Jawa Tengah	XVIII Sulawesi Utara	XXIV Nusa Tenggara Timur	**XXX** Banten
V	Jambi	XII DI Jogyakarta	XIX Sulawesi Tengah	XXV Maluku	**XXXI** Banka Belitung
VI	Sumatera Seletan	XIII Jawa Timur	XX Sulawesi Selatan	XXVI Maluku Utara	**XXXII** Gorontalo
VII	Benkulu	**XIV Kalimantan Barat**			

VII Benkulu

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Annex 3 Jamsostek service improvement summary

Introduction

This summary has been produced as part of the ILO project for Restructuring the Social Security System in Indonesia.

Purpose

The purpose of this summary is to provide constructive information and recommendations to Jamsostek in order to support the enhancement of its processes, procedures and effectiveness of its IT systems. The recommendations in the summary support and in some instances are additional to the key recommendations in the report.

The summary is based on key functions of a typical social security organization describing some of the initiatives that would support Jamsostek in preparing for the additional responsibilities it may be required to undertake over the next few years.

This summary supports the findings of the various reports of studies conducted during the course of the project.

The comments are for guidance only and it is recognised that this is not a prescriptive formula for improvement of Jamsostek but serves to list the changes that could have a significant impact on the way Jamsostek does business.

It should be noted that some of the improvements listed in this paper have already commenced or are about to commence as part of the recently announced Jamsostek strategy titled *Jamsostek, A new Beginning*.

Conclusion

Many of the initiatives described here will require substantial resources to fund the improvements and it is likely that subsequent projects may be required. It is also evident that without improvements, particularly in the IT area Jamsostek will be unable to expand its membership and program base as the core Social Security agency in Indonesia.

Annex 3 - Jamsostek service improvement summary (cont.)

No.	Category	Function	Description	Remarks
1	Organisation	Board of Management - Trust Fund	Legislative changes to establish trust fund and the processes and procedures for the operation of the board of Trustees.	Legislation referred to the parliament. Documentation prepared by ILO project, Jamsostek and Depnakertrans
		IT Organisation	IT should become independent from Finance and be able to relate at Director level with other directorates. This raises IT to the appropriate level in the organization commensurate with its role in the organisation	ILO Report Review of the Operations and IT in Jamsostek
2	Strategic Plan	Develop a business strategic plan based on the recommendations of the Social Security Reform Task Force likely to be released late in 2001.	Plan should include vision for Jamsostek as part of the social security reform. The plan should include the future development plans for extension of coverage, compliance, investment management and IT re-development.	Social Security Reform Task Force recommendations due end December 2001. ILO sponsored IT Reengineering workshop to be held Feb 2002
3	New and Revised Processes	Registration of Members	This process should be designed for the induction of members into Jamsostek programs and designed to prove identity, collect information, ensure member understands rights and obligations	Will require members to lodge forms Verification of identity May require interviews
		Forms Redesign	Redesign of processes will require modifications to information (data) collection and hence forms	Part of ILO sponsored IT Reengineering workshop to be held Feb 2002 Ongoing improvement process
		Data Entry Timeliness	There are a number of instances where data is not entered immediately into the system and this can result in delays and disputes about final payment amounts. The practice of stockpiling returns should be investigated	Automation of data entry considerations. Promotion of electronic inputs from employers. Monitoring data entry in statistical returns.
		Document Storage – Destruction Schedules	Most offices have difficulty managing the storage of documents and maintaining document archives. The ability to destroy the paper source documents after an elapsed time is not available. The situation should be reviewed to allow destruction of bulk documents to a prescribed schedule and process.	Cost of prime office space to store paper is not effective. Off-site storage or archiving is an option. Poor storage can render paper documents unusable in some circumstances. OH & S issues can arise from damp, paper mites etc.
4	Information Technology	Registration Process	IT aspects to support the outcome of the redesigned process (see 3 above)	Part of ILO sponsored IT Reengineering workshop to be held Feb 2002.
		Unique Membership Number	Development of a unique sequential Jamsostek membership number	Reengineering workshop (As above) Pre-requisite to all other data re-developments

Annex 3 - Jamsostek service improvement summary (cont.)

No.	Category	Function	Description	Remarks
		Record Integration	Identification and amalgamation of multiple records for the same customer	Reengineering workshop (As above) Will require substantial data collection exercise Development could be supported by additional ILO implementation project Unique number and data redesign are pre-requisites
		Data Redundancy	Review data record to remove duplicate instances of data fields and consider use of a Person Data module	ILO Report Review of the Operations and IT in Jamsostek Development could be supported by additional ILO implementation project
		Data Management	Consider archiving completed records from active database to improve efficiency. Archives could be accessed separately or off-line	ILO Report Review of the Operations and IT in Jamsostek Development could be supported by additional ILO implementation project
		Security	The logon process to servers needs to be reviewed to include secure access to applications as well.	Access to applications should be restricted to appropriate users only. Security and privacy program should be promoted to all staff.
		National Index	Investigate the options for development and deployment of a national data index to enable any member record to be located from any site in Jamsostek	Planning stage will be at ILO sponsored IT Reengineering workshop to be held Feb 2002. Development could be supported by additional ILO implementation project
		IT Development and Maintenance	Organisation, tasks and staffing of Development and maintenance teams. There should be a separate IT development team for database changes and Jamsostek improvement strategy.	Organisational issues and tasks will be considered at ILO sponsored IT Reengineering workshop to be held Feb 2002 Details and comparisons can be seen during Study Tour Feb 2002
		Standards and Procedures	Jamsostek Needs to develop agreed standards for IT including development methodology, Project methods, release management, change management etc,	ILO Report Review of the Operations and IT in Jamsostek Details and comparisons can be seen during Study Tour Feb 2002 as Centrelink Australia is an ISO 9000 approved software developer.
		IT Training	Training of Branch office database administrators discussed under training Function. Study Tour for IT staff planned for late Feb 2002	Study tour approved to visit Centrelink/FACS in Australia late Feb 2002 Details and comparisons can be seen during Study Tour Feb 2002
		Business Reengineering	To undertake a full review of the main business functions performed in Jamsostek from a user perspective. Incorporate potential modifications into the review and consideration	Planning stage will be at ILO sponsored IT Reengineering workshop to be held Feb 2002 Outcome to prepare a draft IT strategic plan for redevelopment of Jamsostek IT

Annex 3 - Jamsostek service improvement summary (cont.)

No.	Category	Function	Description	Remarks
5	Fraud Control	Development of standards and assessment of risks of fraud	This should be based around the principles of Prevention, Detection and Deterrence. A risk assessment will assist Jamsostek to develop a Fraud Control strategy.	The principles could form part of additional ILO study. The development of standards should be part of a sampling and assessment audit
		Fraud Control Plan	Second stage of the process to develop a national plan for fraud control including procedures, organization, target audience for fraud control. The plan should be developed for staff at the three organisational levels in Jamsostek, National, Regional and Branch.	Fraud control plan can be developed in association with development of standards. The Fraud control Plan and principles could form part of additional ILO study
6	Service Standards	Identification of key service standards.	The service standards should identify timeliness and quality and initial measurement of current achievements in each office	Standards selected should be those critical to operations, and a subset of the total range of standards. They should be quantitative and qualitative
		Publicising standards	The appropriate standards should be published and promulgated in all offices as part of Jamsostek customer service charter	Publicised standards can help improve public perception and staff commitment to selective service standards
		Measurement of standards and Performance.	Initial measurement and reporting may be restricted to manual and sample assessment pending the development of the Executive Information system.	Process could be supported by additional ILO study based on support from another social security agency
7	Management Information	Determine existing information needs for each Directorate, Region and Branch	Structured audit of regular and ad-hoc reports and statistics generated in Jamsostek offices and directorates	This will require detailed study and workshops with staff at all levels
		Develop standard production of information and statistics to maximise the current needs.	Manual and auto generated reports in the short term	Part can be incorporated in IT reengineering workshop Feb 2002. Should include compliance activity and results
		Development plan for Executive Information System integrated with the SIPT	End state should be production on-demand by authorised users and managers. OLAP and web based ideal	Part can be incorporated in IT reengineering workshop Feb 2002
8	Service Delivery	Extending Coverage of Social Security Entitlements to Informal Sector	This is an extensive and ambitious program that will require extensive study to identify the groups in the informal sector, lifecycle of workers in the various groups and where and when they are vulnerable. It will also need to assess the capacity of the groups to contribute to social security and other support mechanisms available to them now and in the future.	A plan for extending coverage can be developed in association with key stakeholders such as Depnakertrans in conjunction with the Social Security Reform Task Force. Study should be piloted in some different geographic areas to develop strategy and obtain preliminary findings and indicators. The study for extending coverage could form part of additional ILO project

Annex 3 - Jamsostek service improvement summary (cont.)

No.	Category	Function	Description	Remarks
		Improving Access to Services	Issues relate partially to the geography of Indonesia and also to the prime method of service delivery through fixed offices. Alternative services for remote communities. This issue will become critical in an expanded environment where more general social security services are delivered.	Details and comparisons can be seen during Study Tour Feb 2002 where participants will visit an agency that has developed strategies for social security service delivery to remote communities in a multicultural environment.
		Visiting services	Using agents or visiting services at regular scheduled intervals can supplement fixed office facilities.	As above
		Telephone Services	As part of extending service delivery in the future telephone centres (call centres) may be an option depending upon the services to be delivered.	As above. Analysis of business done by telephone now Potential to do additional business by telephone National single access number Costs savings by volume of calls Automation and voice/computing integration
		e-Business	E-business is still not normal practice in social security systems but is developing as a major initiative in most countries. Information service on the internet are being extended to basic and in some cases advanced processing	As above.
9	Policy Initiatives	Benefit Payment – Withdrawal from Fund on Unemployment	The Ministerial Decree that allows unemployed people to withdraw their retirement savings after six months has potential to increase poverty in old age. The necessity for this provision should be examined.	Double benefit as redundancy provisions (up to 4 months salary) in some cases may be greater than retirement payment. Instances where members have been re-employed within 6 months and are still entitled to withdraw their retirement savings.
		Membership Focus	Change much of the focus of membership to the individual member. This could include rights and responsibilities, claims, notification of status and income.	Requires intensive marketing IT redevelopment is a pre-requisite
		Work Injury Reporting	Review of the process and in particular the workplace reporting strategy to maintain injury register in each workplace. Review the reporting methods; it may be more appropriate for Jamsostek to refer the injuries that occurred as a result of potentially unsafe workplaces. This could minimise the employer from reporting ALL injuries and better target the unsafe workplaces. Statistical reporting to Depnakertrans of workplace injuries should be reviewed.	Review of process Liaison with Depnakertrans and health care providers Stakeholders include employers and employees representatives In conjunction with an future ILO Study on Work injury program
		Policy Development Cell	Establish a policy options cell to develop and maintain policy suggestions and their impact on the organization. To promote changes is policy in line with members needs.	Nationally sponsored focus groups in Branches and Regions to stimulate policy needs of clients and users Programs could be Regionally focussed using host regions to promote a program

Annex 3 - Jamsostek service improvement summary (cont.)

No.	Category	Function	Description	Remarks
		Escape Clause from Health Insurance	The escape clause on the grounds that the employer can provide better Health Insurance is not substantiated. Cases have been identified where service provided by the employer were clearly inferior	Opt out should be subject to demonstration of other services offered before it is allowed. Registry of unsuitable providers.
10	Marketing	The New Beginning	Promotion of the new Jamsostek to potential and existing members and to staff. This should be aimed at improving public confidence in the organization and morale of the staff	Significant work already started in this area Need to extend this following Task Force recommendations Additional information from ILO and other reports
		Change of Status	Critical element in improving investment returns (no tax) and semi autonomous operation and transparency in investment decisions	Subject to Legislation and Ministerial directives
		Members Rights and Obligations	Part of the new beginning and public perception of Jamsostek. Also will assist in public confidence. Opportunity to influence members to retain membership in short periods of unemployment	Process is ad-hoc at the moment, heavily dependent upon employer and visits by Jamsostek staff New processes (registration) and initial membership form and information packs will assist
11	Recruitment	IT Branch staff	Branch office IT positions should be filled so that a minimum of two full time permanent staff are available in each Branch office	Processing at Branch level is critical Data integrity at risk Problems (and risk) magnified as operation grows larger
12	Training	IT Training – Database Administrators Compliance Labour Inspectors, Social Security specific	Branch office IT positions should be trained in Database management in accordance with Jamsostek standard procedures. Training for existing or seconded labour Inspectors in the revised compliance targeting for Jamsostek	As for branch staff recruitment Distributed data at Branch level Subject to outcome of legislative changes In any event Jamsostek could undertake pro-active role with Provincial governors to improve skills and tasking of Inspectors
		Trust and Board Members	Establishment of the Board of Trustees and the guidelines for operation will need some training for board members. Additional *Familiarisation of Jamsostek Operations* training will be required for all new and replacement board members	Comparisons with other institutions is possible by way of study tours Charters for similar management boards could be considered e.g. during study tour Feb 2002 (Centrelink operates using a board of directors similar to private companies)
13	Human Resources	Job Statements and Selection Criteria	These documents should be available for all positions in Jamsostek so that all staff are aware of their duties and the duties and tasks of other staff in the organisation. The selection criteria describe the skills and attributes required of applicants for the positions. Depnakertrans has developed a catalogue of all formal sector employment positions in Indonesia that contains tasks. Directorate of Occupational Guidance and analysis maintain this catalogue.	Well established processes are available form international social security organisations. Should be part of a further ILO project.

Annex 3 - Jamsostek service improvement summary (cont.)

No.	Category	Function	Description	Remarks
		Recruitment, Selection and Promotion	These processes need to be better defined to enable those tasks to be performed based on the principle set by the government and the Board of Commissioners. It is normal in most countries and particularly in public service that the key principles are merit selection and promotion, equal opportunity and access to all positions	Well-established processes are available form international social security organisations. Monitoring and control of the processes are essential elements. Training component is lengthy Should be part of a further ILO project.
		Performance appraisal	This is a difficult area of HR management and requires a strong commitment from senior managers to determine the principles and to show leadership in their execution. The rewards from effective performance appraisal are large but there is also a requirement for organisational culture change and training of supervisors to deliver performance feedback and for staff to receive the feedback in the spirit of improvement goals.	Well-established processes are available form international social security organisations. Staff development strategy needs to be developed as a key requisite. Monitoring and control of the processes are essential elements. Training component is lengthy Should be part of a further ILO project
14	Compliance	Develop Compliance Strategy	Options should be considered under existing procedures and autonomous control of inspectors.	Aim to improve compliance, membership and protection of workers Could be part of an additional ILO supported study
		Examine Inspection and enforcement options	All avenues should be explored to exploit the available resources either at national or local level (should the proposals to provide Jamsostek with its own enforcement capability not be approved). This could include secondment of inspectors, identifying dedicated inspectors from the Dinas Kerja pool, Negotiating for direct tasking of inspectors etc.	Support of Provincial governors Possibly basing inspectors in Jamsostek offices for short periods Direct tasking from Jamsostek offices Use of complementary resources and information e.g. Taxation, business registration etc Could be part of an additional ILO supported study

Annex 4   Taxation collection in Indonesia

This section is included in the IT report as background information about the other major contribution collection agency in Indonesia, the tax office (Pajak). The taxation system has direct relevance to Jamsostek as both organisations have some common customers (companies and individual members) and have common problems in collection of contributions (and taxes). Any future expansion of the social security system to include social assistance may be reliant on increased taxation revenues to support the scheme.

Taxes are collected in Indonesia from the following areas:

- corporations,
- personal taxpayers, and
- withholdings from SOE's.

The national tax office also collects land taxes on behalf of provincial administrations for which it levies a 0.9 per cent collection fee. Other taxes include B2B taxes such as VAT, Notary taxes, from immigration etc. A percentage of 20 per cent of some taxes are returned to the local provinces from which the taxes are collected and these amounts contribute to the funding of Provincial Governments. Provincial governments have a local tax office in their administrations, DINAS Pajak. Some provincial governors have signalled their intentions to create another level of taxation in their provinces by levying local taxes and this is believed to be consistent with the Regional Autonomy legislation.

By the end of 2001 the tax office will have a network of 18 Regional offices and 173 district offices throughout Indonesia. The National office (Main office) is located in Jakarta. Each Regional Office administers between 4 and 18 District Offices, depending on the number of taxpayers. The largest region is Surabaya. In addition to the general tax offices there are also 55 specialist investigation offices that target businesses and individuals as part of planned investigations or by referral from the general tax offices. About 40 per cent of the total workforce of 27,000 tax office staff is employed in the specialist investigation centres.

Taxpayers are required to apply for a Taxation Identification Number (TIN) from their bcal District Office. This is a nine-digit number that identifies the taxpayer and their locality.

TIN   XX-XXX-XXX-X

Region Office   District Office   Sequential   Check Digit
Code   Code   Number
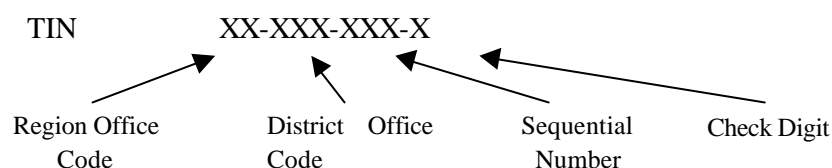
The annual taxation income threshold for individual taxpayers is comprised of:

Taxpayer allowance	2,880,000 Rp
Spouse allowance	2,880,000 Rp
Child 1 allowance	1,440,000 Rp
Child 2 allowance	1,440,000 Rp
Child 3 allowance	1,440,000 Rp
Maximum allowable	10,080,000 Rp

The taxable threshold can be split in cases where the spouse is also working.

There are 2.2 million TIN in existence comprising corporate, personal and withholding taxpayers. This total includes about 1.6 million personal taxpayers in three categories of filers, stop filers and non-filers.

The personal tax collection process is shown below

Figure 47.   Taxation collection process
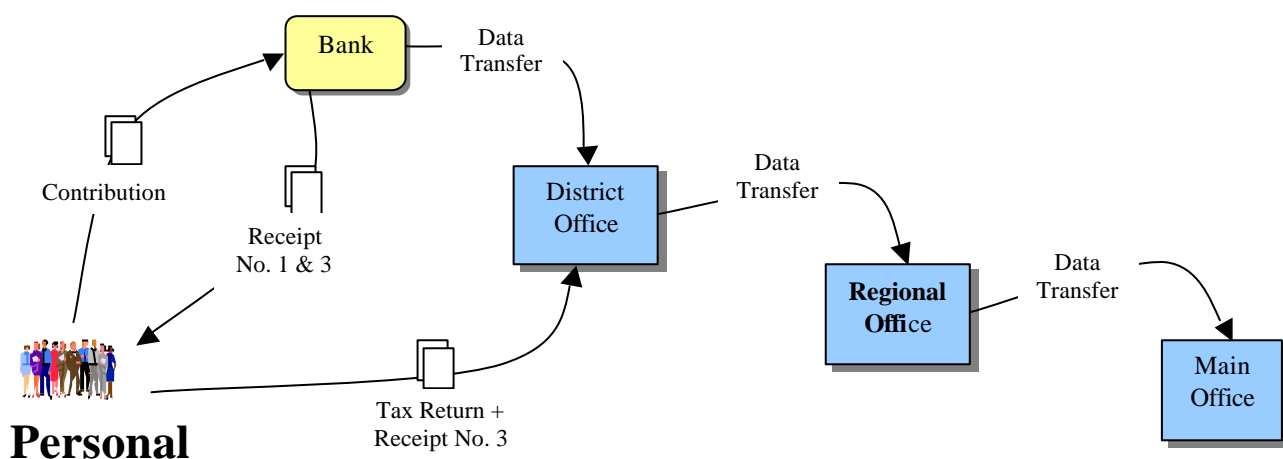
The taxation collection process suffers from similar problems to those experienced by Depnakertrans labour inspectors and despite concerns of low productivity, protection of higher paid employers, the taxation collections have increased steadily over the past few years by around 15-20 per cent per year. The key difficulties facing the taxation office are:

- limited data transfer network (only 54 offices on-line),
- registration of taxpayers is voluntary,
- lack of cross reference ability to locate employers and taxpayers,
- lack of a reliable national identity system, and
- transfer of taxpayers between employers and regions.

There is some scope for cooperation between Jamsostek and the tax office to conduct a limited fraud prevention data matching exercise to identify taxpayers/members and salary levels for employers/taxpayers/members. This opportunity is likely to be pursued by both agencies.

Annex 5   List of organisations contacted

Organisation	Main Contacts	Organisation	Main Contacts
Ministry of Manpower and Transmigration (Depnakertrans)	Mr. Muzni Tambusai Director General for Industrial Relations and Labour Standards Dr. Zulmiar Yanri Director of Occupational Safety and Health Standards Dr. Didin Damanhuri Board of Information Rini Said Kasubdit Jamsos LHK Mr Darmanto, Work Injury policy Dr. Payaman Simanjuntak Special adviser on Social Security to Minister DINAS, Bali Labour section Made Lastrawan, Inalayu, Putu Dibia, Ida Bagud Rai DINAS manpower section Dr. Ketut Necher, Mr Made Sutedja and support staff	JAMSOSTEK	Syami Syahrizzamzami Assistant Manager, Information Technology Bureau Dr. Bambang Purwoko Director Research and Development & Policy Dr. A. Djunaidi President Director Suratno Hadisuwito Commissioner Mr. Rexa Pattipeiohy Branch Office Manager, Pluit Agus Supriyadi Branch Office Manager, Gatot Subroto Office Bambang Prasetyo Kepala Bidang Pelayanan Amalia Artiningsih Senior Programmer, Information Technology Bureau Robby Arsamanggala Senior Research Officer Herry Harlan Director Operations Retno Widowati Senior Programmer, IT Bureau Dr. Mulyani , Director Jamsostek Health Care programs Dr Sylvia Achmed Jamsostek Health care programs John Keleng Manager, Bali Branch Office
Office of the Vice President, The Republic of Indonesia	Dr. Yaumil C. Agoes Achir Deputy Secretary, Chairperson Social Security Reform Task Force Indra Hattari Senior Adviser, Social Security Reform Task Force		
Ministry of Home Affairs Department of Finance	Gutheng Prabowo Director Civil Administration Isa Rachmatarwata Director of Pensions Mr. Rafianto Taxation IT Division		
TASPEN (State Enterprise of Savings & Insurance for Govt. Employees)	Didi Achdijat Executive Director of Operations		
The Coordinating Ministry for Economics Affairs	Eddy Purwanto Deputy Assistant for Multilateral Economic Cooperation		Retno Budirahayu Penjab. Div Psr Uang & Psr Modal
National Development Planning Agency	Mr. Bambang Widianto Director		Regional Office IV, Jakarta – Office deputy, Finance manager, IT manager, Operations manager
GTZ	Ernst-Heinrich Zehrfeld Senior Adviser, Support for Good governance		Dr. Djoko Sungkono Director Human Resources & Personnel
University of Budi Luhur School of Information Mgt. & Computer Science	Ir. Wendi Usino Vice Chairman, Academic Affairs, National IT Counterpart	ILO	Sentanoe Kertonegoro Social Security Adviser ILO Social Protection Project
Employer Representatives	I. Gusti Nguram Oka, Employers Bali Nina Tursinah Woodworkers and Craft employers representative		David Gent Pensions Consultant Social Security Project Mr. Kenichi Hirose Financial Actuary, Social Protection Sector, Geneva

Organisation	Main Contacts	Organisation	Main Contacts
	Tulus T.H. Tambunan Indonesia Chamber of Commerce and Industry Mr. Sae Tanangga Karim Executive Director, Indonesian Furniture Industry and Handicraft Association.		Prof Ian Gough Poverty Consultant ILO Social Protection Project Mr. David A. Preston Social Security Consultant, Jakarta
Employee Representatives (Unions)	Sjukur Sarto Building and Public Workers Union Saepul Tavip Association of Indonesian Trade Unions		Mr. Alan J. Boulton Director ILO Office, Jakarta Ms. Mukda Sunkool A/g Director ILO Office, Jakarta
University of Indonesia Centre for Health Economics Studies	Mr Hasbullah Thabrany Vice Chairman		Mr. Mike Smith CTA Social Security Project
Presidential Task Force on Social Security Reform	Dr. Yaumil C. Agoes Achir, Dr. Sulastomo, Mr.Martiono Hadianto, Mohd. Syafii Syamsuddin, Dr. Harijanto Mahdi, Dr. Payaman Simanjuntak, Dr. Widastuti Wisbisana, Dr. Dadi Effendi, Dr. Johanis Kaloh, Dr. Eddy Purwanto, Henry Soelistyo Budi, Dr. Atifah Thala, Prajitno S. Sos, Ita Ekowati.		Mr. Clive Bailey Senior Social Security Specialist, ILO Geneva

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	National Income of Indonesia 1996 to 1999.
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	Labour Force Situation in Indonesia August 2000.
	Poverty Reduction Strategy in Indonesia. 2001
David A. Preston	Report on the Feasibility of Introducing an Unemployment Insurance Benefit in Indonesia, ILO report 2001
	The Feasibility of Social Assistance in Indonesia, ILO report 2001
Frances Lund, Smita Srinivas	Learning from Experience. A gendered approach to social protection for workers in the informal economy
ILO	Report to the Government on Social Protection in Indonesia 1993
	Restructuring of the Social Security System in Indonesia, December 1999
PT Jamsostek	Systems and Procedures Manual KEP/45/042000
	Annual Report 1999 and 2000
	The Laws and Regulations of The Republic of Indonesia on the Employees' Social Security
	Jamsostek, A New Beginning
	Jamsostek Company Profile
Satish Mishra	The Social Implications of the Indonesian Economic Crisis:- Perception and Policy 1999
Sentanoe Kertonegoro, Awaloedin Djamin	Social Security Profiles in ASEAN Countries
Sentanoe Kertonegoro	Social Security for the Peoples Welfare
	Journal of Population Vol5 No. 2 1999
	Comparison of Social Security in ASEAN Countries
UNDP	UNDP Programme 2001

Annex 7   Terms of reference

Restructuring of the social security system in Indonesia

Terms of reference for international consultant

Review of operations and information technology

SYSTEMS OF PT JAMSOSTEK

PT JAMSOSTEK is the principal social security scheme and covers employees of private sector employees and state owned enterprises. It is estimated that potential coverage of JAMSOSTEK is about 27 million workers but active members are believed to be less than 10 million.

A technical cooperation project has been signed between the Department of Manpower and Transmigration (on behalf of the Government of Indonesia), the Government of the Netherlands (as donor) and the ILO as executing agency. This provides for technical assistance to assist the government in the development of a national strategy for the reform and development of the social security system. Project activities will focus on JAMSOSTEK and will include a series of studies relating to its structure, programme, coverage and operations.

An important aspect of these studies will be concerned with the need to improve the efficiency and credibility of JAMSOSTEK in the belief that this will provide a more effective service to its members and their employers and will contribute towards improved coverage and compliance as well as a higher level of social protection. Accordingly an international consultant will, under the supervision of the Chief Technical Adviser, and with the support of a national consultant undertake the following the tasks:

- describe and review the organisational structure of JAMSOSTEK in the context of the need for improved efficiency, delivery and transparency and taking into account the national commitment to decentralisation of responsibility, formulate recommendations relating to the flow and processing of information, the maintenance of records and the management structure;

- describe and review administrative procedures and systems and formulate recommendations;

- describe and review the existing IT system and staffing and its relevance to an improved administrative and organisational structure;

- prepare a strategic development plan for IT including recommendations on IT hardware, software and staffing requirements;

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- prepare a detailed report on findings and recommendations and discuss with JAMSOSTEK management; and

- participate in the organisation and conducting of training courses relating to operational and IT aspects.