

INDONESIAN NATIONAL SOCIAL SECURITY ASSOCIATION

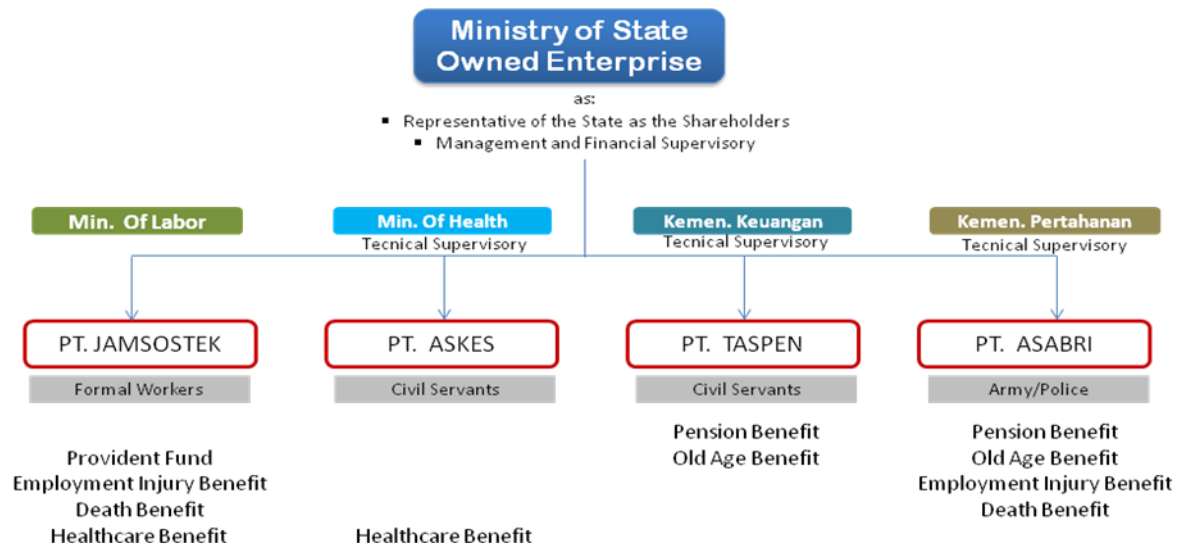
1. OVERVIEW

Law No. 40 year 2004 concerning National Social Security System (NSSS) is historically a starting point to a holistic reform on the social security system of Indonesia. The fact that there are so many partially and overlapping regulations, limited benefit of such programs, and limited beneficiaries' coverage have put social security reform as one of the top priority in the country.

The implementation of National Social Security System Law needs comprehensive rules and regulations that govern the spirit of the program, its establishments, as well as its implementation mechanisms. Therefore it is needed to set-up a proper scheme that is covering regulation development, improvement of the scope of participation, improvement of the benefit of the program and integration of the system with various development elements.

In Indonesia, social security programmes have long been administered by fragmented social security administering bodies delivered by PT. Asabri (Persero), PT. Askes (Persero), PT. Jamsostek (Persero) and PT. Taspen (Persero).

By the enactment of the Law of Social Security Carriers No. 24 year 2011 which was enacted in November 2011, the landscape of the social security system in Indonesia will be transformed in to two social security organization which are Social Security for Health providing Healthcare benefit for all citizen and Social Security for Employment providing Pension Benefit, Provident Fund, Employment Injury Benefit and Death Benefit for all workers, both formal- and informal workers. The system will be as seen below.



Under the changes, social security will be managed by two non-profit, public organizations which will directly responsible to the President of Republic of Indonesia. Jamsostek, will be transformed into Social Security for Employment responsible for workers' benefits and services, and Askes, will be transformed into Social Security for Health as the new health agency.



Law No. 24 year 2011 mandates a very short transition period. By the time the Law enacted, the Government and the appointed social security carriers (PT. Jamsostek and PT. Askes) should be able to transform the organizations and the programs to be fully established by January 1st in 2014. Social Security for Health will be directly full operated by its establishment but Social Security for Employment has another extension until July 1st 2015 before it is fully operated.

1.1 CURRENT CONDITION

Indonesia has a population of nearly 220 million. However, only a small portion of the population is covered by formal social security systems. Until recently, employment-linked systems of contributory social insurance which currently cover only around 17 per cent of the employed population were the only significant formal systems of social protection in the country, apart from a few social welfare services run or subsidised by the Ministry of Social Welfare and its local government counterparts. Currently, the Indonesian system of social protection is not organized according to one universal criterion. For each program and group of population, there is one regulation and one special administration which are responsible for the collection of contribution and provision of benefits. The implementation of legislation and supervisory activities are assumed by different Ministries. The form of social protection includes public intervention and private initiatives. The current form of publicly provided social protection is based on two kinds of public intervention, namely (a) non-contributory provision of social support to targeted poor and vulnerable group of society (social assistance) (b) contributory social insurance and mandatory saving (social security). Besides publicly provided social protection, there are many private insurance plays for private old age provisions and private health insurance. Private Insurance comprises of pension funds and health insurance program. In accordance with the absence of pension program & the higher need of health insurance, private pension fund & health insurance growing bigger by the last decade.

On non-contributory provision, Healthcare for the Poor (*Jamkesmas*) has been implemented since January 2005 for 74,6 million the poor and the near poor to cover free-of-charge primary healthcare services including maternity at public health center (PUSKESMAS) and inpatient treatment in third-class hospital wards. Many local governments jointly subsidize social assistance programs in addition to the national social assistance program for local residents. Most of them extend the coverage of healthcare for the poor program (*Askeskin/Jamkesmas*) and school program to the near poor. In some provinces or districts, the local governments extend healthcare program to the entire local residents including the non-poor household. Other shapes of social assistance is provided through a number of social welfare programmes providing access to education, health care, food security, social infrastructure, and employment opportunities. The programmes are implemented by various line ministries. The Government classifies existing anti-poverty programmes into three clusters:

1. The social assistance cluster aims to fulfil the basic needs of the poor and targets household units. Programmes included in this cluster are health insurance for the poor

(Jamkesmas), rice subsidy for the poor (Raskin), conditional cash transfers (PKH), scholarships for the poor and social assistance for the disabled, the vulnerable elderly and abandoned children.

2. The community empowerment cluster is intended to improve income among the poor through community involvement in the development process. The Program Nasional Pemberdayaan Masyarakat (PNPM) is the main actor in this cluster.
3. The small and micro-enterprise empowerment cluster aims to support the development of small and micro-enterprises through access to credit. The main instrument of this cluster is the Kredit Usaha Rakyat (KUR) programme.

Contributory social insurance and mandatory saving is grouped by programs and by type of membership. Social security is divided into five categories: TASPEN, ASKES, ASABRI, JAMSOSTEK, and JASA RAHARJA. These programs are administered by the five respective national social security institutions that collectively formed the INSSA. The Indonesian National Social Security Association (INSSA) was established on May 2, 1995 as an association of five national social security institutions to provide mandatory coverage against old age, sickness, accident, disability and death to the members of the civil servants, armed forces personnel, private employees and the general public.

TASPEN was established under the Government Regulation No. 10 Year 1963 runs old-age benefits (saving scheme and pension) for civil servants in providing for a lump-sum cash benefit at retirement age & death and cash value before retirement. The scheme was broadened under Government Regulation No. 25 Year 1981 to include old-age, survivors and invalidity pension which has been provided under Law No. 11 Year 1969. The State Corporation administering this scheme is PT TASPEN (Persero). Financing method for old-age benefit using premium from employee as 3.25% meanwhile financing method from pension using 4.75% from employee then for pension benefit is fully funded by State Income & Expense Budget (APBN) using pay as you go system.

ASKES - The Health Insurance for Government Civil Servants, Retirees, Veterans and their families. ASKES was established by the President Decree No. 230 Year 1968 to provide health

care and maternity for civil servants, retirees, veterans and their dependents. The scheme was restructured based on managed care under the Government Regulation No. 69 Year 1991 to provide more comprehensive healthcare benefits. PT ASKES INDONESIA (Persero) is the State Corporation administering this scheme. By premium from civil servants consist of 2% from employers & 2% from employee, employee could have managed-healthcare-service which is coordinated through 12 regional offices, 91 branch offices, 492 ASKES centre.

ASABRI was established under the Government Regulation No. 44 Year 1971 to provide protection for the armed forces personnel and the civilian employees of the Ministry of Defense against reduction or loss of income due to old age (saving scheme and pension), termination of employment and death. The scheme was redefined under the Government Regulation No. 67 Year 1991 to include responsibility for the payment of the pension which has been provided under the Law No. 6 Year 1966. The ASABRI scheme is administered by the State Corporation PT ASABRI (Persero).

JAMSOSTEK was established by the Government Regulation No. 33 Year 1977 on the Employees' Social Insurance known as ASTEK to provide protection against work accidents, provident fund and death insurance for private employees. The ASTEK scheme was enacted into the Law No. 3 Year 1992 as the JAMSOSTEK scheme (the Employees' Social Security), and simultaneously broadened to include healthcare & maternity benefits and to run voluntary schemes for employees in informal sector economy. PT JAMSOSTEK (Persero) is the administering State Corporation for this scheme. The bulk of informal sector workers are left with almost no social protection. To a limited extent, Askesos administered by the Ministry of Home Affairs, provides income replacement benefits to a few groups of informal workers such as street vendors and micro-entrepreneurs. There are also other small-scale pilot programmes such as the Jamsostek pilot programme for informal sector workers, Jamstostek Luar Hubungan Kerja (LHK), which provides work injury, old age, health care, and death insurance. Even though as mandatory program, formal coverage only achieves about 30% and informal coverage is less than 5%.

Program	Retirement	Life Program	Accident Protection	Health Care
Type of scheme	Provident fund	Death benefit	Employment Accident	Health care
Legal Base	The Government Regulation No 14/1993	The Government Regulation No 14/1993	The Government Regulation No 14/1993	The Government Regulation No 14/1993
Description	Provisions of allowance for old age and early retired due to invalidity and unemployment.	Provision of allowances for workers who died during and at work due to illness or natural causes	This program covers work accidents, including death of workers when they travel to and from work	The program provides hospital and medical treatment for worker, spouse and children.
Coverage	Compulsory for all business entity with at least 10 employees or a monthly payroll of at least IDR 1.000.000	Compulsory for all business entity with at least 10 employees or a monthly payroll of at least IDR 1.000.000	Compulsory for all business entity with at least 10 employees or a monthly payroll of at least IDR 1.000.000	Compulsory for all business entity with at least 10 employees or a monthly payroll of at least IDR 1.000.000, except those that have provided health care coverage for their employee.
Contributions	3.7% of gross wage by Employer and 2% by Worker	0.3 % of gross wages by employer	0.24-1.74% of gross wages by employer, depending on industry	3% (single) or 6% for family based on the monthly wage of IDR 1.000.000 at maximum.
Benefits	Lump sum of combined contributions plus interests or periodical payment for the following life events of the member : <ul style="list-style-type: none"> - Reach age of 55 years - Total permanent disability - Benefit to surviving spouse or children in the event of death of member before 55 years - When membership ceases due to unemployment after at least 5 years of membership. 	Provision of payment for : <ul style="list-style-type: none"> - Funeral expenses of IDR 2.000.000 - Death allowance of IDR 10.000.000 - Periodically allowances of IDR 200.000/month for 24 months 	The benefits include: <ul style="list-style-type: none"> - Transportation cost - Cost medical test, treatment and nursing - Rehabilitation expenses, monetary allowance for partial permanent invalidity, loss of function - Death allowance 	The health care benefits are: <ul style="list-style-type: none"> - Primary outpatient care - Subsequent outpatient care - Inpatient care - Prenatal delivery and postnatal cares - Diagnostic support - Special care - Immediate life saving - Emergency services

JASA RAHARJA administers two main insurance programs which is the first, insurance for public transport passengers against traffic accident under the Law No. 33 Year 1964 on the Mandatory Insurance Fund for Passenger Accidents. The second is third party legal liability

insurance against motor vehicle accident under the Law No. 34 Year 1964 on the Fund for Road Traffic Accidents. The benefits are provided in the form of reimbursements for medical treatment and compensation for invalidity and death.

1.2 MOVING FORWARD

Indonesia strives to extend social protection coverage to the entire population. Since its amendment in 2002, the Indonesian Constitution recognizes the right to social security for all, and the responsibility of the State in the development of social security. Although the existing social protection schemes tend to be fragmented and scattered, progress is taking place towards a more comprehensive provision of social protection coverage.

An important milestone is the progressive implementation of the National Social Security Law (Law No. 40/2004 regarding the National Social Security System). It has objectives to provide assurance of the fulfillment of the basic needs for every Indonesian people which is mandated the extension of social security coverage to the whole population in the categories of health, work injury, old age, pension and death of the breadwinner. SJSN will be run based on the following principles: mutual assistance, not-for-profit, transparent, risk averseness (prudence), accountable, portable, compulsory membership, trust fund.

The Law will dramatically change the country's social protection structure and follow a staircase approach with non-contributory schemes for the poor, contributory schemes for the self-employed, and statutory social security schemes for formal sector workers. As government concerned through this new system, the government will subsidise the contributions concerning the social assistance for the poor and the economically disabled. Furthermore, employment proportion in Indonesia which is dominated almost 70% by informal sector is unique characteristic that need to be more protected by SJSN Law.

The legal structure and governance structure of the new system also differs substantially from the current social protection system. Universal health insurance under the Law on Health Social Security Providers (BPJS Kesehatan - BPJS I) is expected to start in 2014, while other schemes, under the Employment Social Security Providers (BPJS Ketenagakerjaan - BPJS II) starts to implement in 2015.

BPJS I with purpose of universal health care would be solution of healthcare protection problem faced by Indonesian whereas many of Indonesian still uncovered by healthcare protection due to health financing in Indonesia only takes 2.5% of GDP which contrast with spending average middle-income countries 5.8% of GDP and even with average poor country which spends 4.7% GDP. Out-of-pocket system on financing method that reach 60% in Indonesia is hoped would be restructured with deeper government involvement in BPJS I. Healthcare protection reformation is designed to overcome classical health problem in field of opting-out rule that enabled citizen not to enrolled healthcare program, in field of law enforcement weakness and in field of various schemes operated by different provinces. As equity and portability principle, all of Indonesian is projected having managed care suitable with their medical need in sustainable way even they have moved to other region.

BPJS II will operate the existing four social security schemes (Jamsostek, Taspen, Asabri and Askes) with the scope of the law covers five social security programmes consist of pension, employment injury, old-age and death benefits. New challenge program in BPJS II is pension program that will pay a lifetime monthly annuity to workers following their retirement, workers who become disabled and survivors of deceased workers or pensioners. One of the main reason caused the urgency of pension program is the concerned of exhibiting rapid population ageing arising in few decades. Fact shows demand of pension program increased by group of population so that comprehensive synchronization with commercial pension industry should be managed well. Also, the existence of SJSN will change current employment injury insurance from re-active policy to be pro-active policy in which previous system is just focused on in kind benefit & cash benefit would be widen through protection by rehabilitation program to injurer. Then, significance of old-age scheme would be also arranged that is, the current system using prerequisites only 5 (five) years & 1 (one) month in withdrawal their savings would be brought back to the original purpose that is withdrawal in retirement phase. Final destination of social insurance reform is objected in strengthen labor market in accordance with sustainable development in Indonesia.

2. ECONOMIC AND SOCIAL INDICATORS

2.1 Economic Indicators

INDICATORS	YEAR OF VALUATION			
	2010	2011	2012	2013
GDP per Capita (US\$)	1.570	1.650	1.732	1.810
In current prices (in billion)	709	845	876	868
In constant prices (in billion)	258	271	261	278
GDP growth rate (%)	6.20	6.46	6.30	5.80
Inflation rate (%)	6.96	3.79	4.30	8.38

2.2 Social Indicators

INDICATORS	YEAR OF VALUATION	
	Previous	Latest
Population (in millions)	237.486 (2009)	249.865 (2013)
Crude Birth Rate (per 1000 population)	19 (2009)	19 (2012)
Fertility Rate	2.16 (2009)	2.4 (2012)
Crude Death Rate (per 1000 population)	7 (2009)	6 (2012)
Infant Mortality Rate (per 1000 live births)	27 (2009)	26 (2013)
Literacy Rate (%)	(2009)	(2013)
Male	95.65	96
Female	89.68	90
Poor People	(2010)	(2011)
% in urban	9.87	1.3
% in rural	16.56	2.2

2.3 Life Expectancy at Birth (Years)

YEAR OF VALUATION						
2007	2008	2009	2010	2011	2012	2013
70.4	70.5	70.7	70.9	70	71	72

2.4 Population Distribution (%)

GENDER	YEAR OF VALUATION				
	2009	2010	2011	2012	2013
Male	49.53	50.17	50.37	50.35	50.41
Female	50.47	49.83	49.63	49.65	49.59

2.5 Age Distribution (%)

AGE	YEAR OF VALUATION				
	2000	2010	2011	2012	2013
Children 0 – 14	30.43	28.87	29	29	29
Working age 15 – 64	65.03	66.09	66.71	69.60	66.77
Elderly 65+	4.54	5.04	5	5	5

2.6 Labor and Employment

INDICATORS*	YEAR OF VALUATION				
	2009	2010	2011	2012	2013
Labor Participation Rate, total (% of total population ages 15+)	68	67	69	84	69
Employment to population ratio, 15+, total (%)	62	63	60	60	60
Unemployment Rate (%)					
% of female labor force	8.5	8.7	6	5	6
% of male labor force	7.5	6.1	8	7	7

Sources: <http://www.bps.go.id> and <http://data.worldbank.org>