

### Costing of income security for the elderly

Closing the SPF gap for the elderly would cost between 0.09% of GDP (“low” scenario) and 0.95% of GDP (“high” scenario) by 2020.

The “low scenario” includes:

- ◆ Extension of existing non-contributory pension scheme for all severely disabled persons and all vulnerable elderly (i.e. those without family support)

The “high scenario” includes:

- ◆ Extension of existing non-contributory pension scheme for all severely disabled persons
- ◆ Establishment of a universal pension for people aged 55+ (the legal retirement age in the formal sector)

## Social Protection Assessment-Based National Dialogue in Indonesia

The Social Protection Floor (SPF) is a basic set of rights and transfers that enables and empowers all members of a society to access a minimum of goods and services at all times.

The Social Protection Floor aims at a situation where:

- ◆ all residents have access to affordable essential health care
- ◆ all children enjoy income security through transfers in cash or kind, ensuring access to nutrition, education and care
- ◆ all people of working age enjoy a minimum level of income security through social transfers in cash or in kind or employment guarantee schemes
- ◆ all people in old age and with severe disabilities receive pensions or transfers in kind.

The Social Protection Floor framework can be used:

- ◆ To describe existing social security, social protection and poverty alleviation programs
- ◆ To identify policy gaps and implementation issues
- ◆ To draw recommendations for the further design and implementation of social protection provisions in order to guarantee at least the Social Protection Floor to the entire population.



The cost of the proposed social protection provisions is then estimated and projected over a 10-year period using the ILO Rapid Assessment Protocol (RAP).

The results of this costing can be used to help prioritize between possible social protection policy options and can serve as a basis for discussions on fiscal space and Government budget reallocations.

### Key recommendations

- ◆ Conduct a Feasibility study of a defined benefit pension scheme for formal sector workers
- ◆ Explore the possible extension and calculate the cost of a non-contributory minimum pension scheme for the elderly and people with permanent disabilities
- ◆ Create a comprehensive database of disabled and elderly people, to facilitate targeting
- ◆ Increase the budget allocation for nursing and other charitable homes



### Policy gaps & implementation issues

- ◆ Almost no income security provisions for the elderly in the informal economy
- ◆ High evasion in the private formal sector
- ◆ Old age lump sums do not provide adequate protection
- ◆ The sustainability of the unfunded defined-benefit scheme for civil servants is questioned
- ◆ The coverage of the non-contributory minimum pension program is limited
- ◆ Lack of harmonized definition of disabled people (across Ministries, BPS, etc.)
- ◆ Lack of a comprehensive and comparable database with a clear classification of disabled people



## 1- Process and key results of the assessment

In 2011, the ILO conducted a Social Protection Floor Assessment-Based National Dialogue (ABND) exercise in Indonesia, in close collaboration with Indonesia's UN Social Protection Floor (SPF) sub-working group.

The ABND exercise included several steps:

### STEP 1 – Assessment Matrix (inventory of schemes, gaps and implementation issues, recommendations)

→ NATIONAL DIALOGUE # 1

### STEP 2 – Rapid Assessment Protocol (data collection for the costing, translation of the recommendations into scenarios, costing of some of the recommendations)

→ NATIONAL DIALOGUE # 2

### STEP 3 – Finalization of the assessment report, discussion with policy makers, decisions on next steps

	SPF Objectives	Existing SPF Provision	Existing Coverage	What is foreseen in the strategy	Design Gaps	Implementation Issues	Recommendation	Costing Scenarios
Health								
Children		Describe present and planned social protection situation, taking into account SP strategy objectives			Identify design gaps and implementation issues			
Working Age						Priority policy options, decided through national dialogue based on assessment results	Preliminary costing based on gaps and recommendation	
Elderly & Disabled	Social Protection Floor Template: Guarantees and Objectives							

## 5- Income security for the elderly and severely disabled

### Existing provisions

- ♦ Pension and Old Age Saving Program for Civil Servants (PT Taspen) and Military Personnel (PT Asabri)
- ♦ Provident fund for private sector employees under Jamsostek Old-Age Program (JHT)
- ♦ Voluntary private pension schemes managed by employers or financial institutions
- ♦ Jamsostek pilot program for informal economy workers
- ♦ Pension and old age savings benefits in case of permanent disability for civil servants
- ♦ Non-contributory minimum pension program for people with total disability and elderly people without family support
- ♦ Nursing homes (for the elderly) and other charitable homes

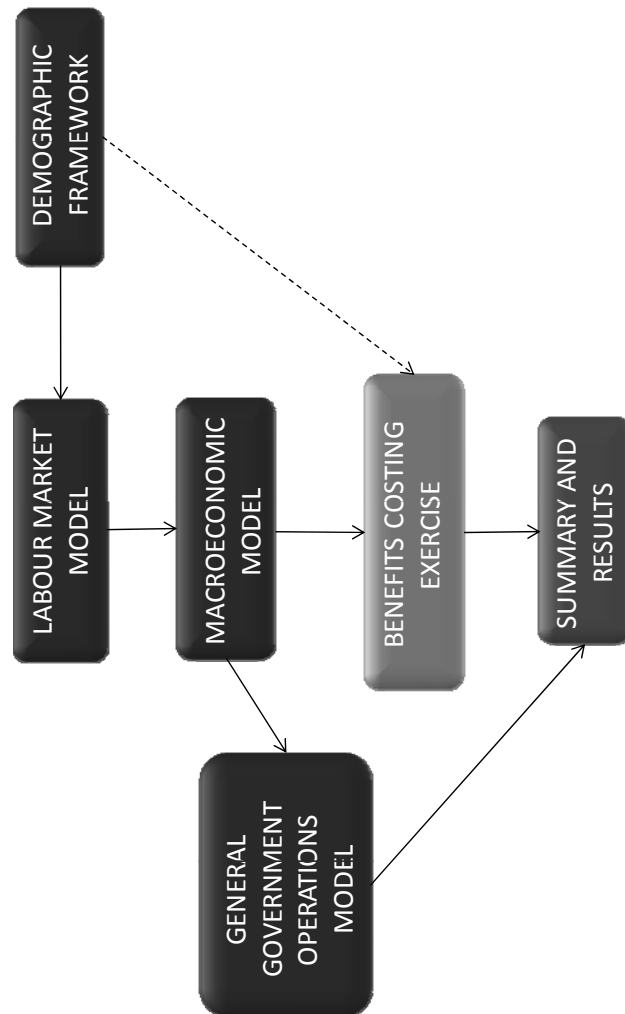
### STEP 1 – Assessment Matrix

An Assessment Matrix was developed which uses the Social Protection Floor framework to describe existing social security and social protection provisions in Indonesia, and to identify policy gaps and implementation issues.

Relevant stakeholders were involved in the development of the matrix through face-to-face consultations and workshops organized at national level and in three provinces.



From this participatory process concrete recommendations were formulated for the further design and implementation of social protection provisions with a view to closing the Social Protection Floor gap (i.e. to provide at least the social protection floor to the entire population).



### Key recommendations

- ◆ Improve enforcement of the Labour Law to reduce evasion (explore the TWIN system)
- ◆ Feasibility study of an unemployment insurance scheme
- ◆ Develop linkages between public employment programs and skills development
- ◆ Explore the possible introduction and calculate the cost of a maternity benefit for women in the informal economy
- ◆ Design and pilot test a Single Window Service mechanism for workers in the informal economy that would:
- ◆ Facilitate their registration and access to social protection and employment services
- ◆ Assess their vulnerability and skills needs
- ◆ Ensure proper monitoring and evaluation of existing programs
- ◆ Enhance coordination between institutions and interventions

WORKING AGE

**Policy gaps & implementation issues**

- ◆ Almost no income security measures for informal economy workers; extension of the Jamsostek pilot scheme is very slow
- ◆ Limited coverage of formal sector workers due to high evasion
- ◆ Severance pay provides insufficient protection compared to unemployment insurance
- ◆ Lack of harmonization of the maternity benefits for formal employees
- ◆ Low coverage and low level of protection under the Askesos program
- ◆ The provision of income security benefits is rarely linked with measures to increase employability, facilitate job creation or return to employment



**STEP 2 – Rapid Assessment Protocol**

The costs of these provisions were calculated and projected over the 2011-2020 period using the ILO costing tool called the Rapid Assessment Protocol.

This costing exercise concluded that guaranteeing the SPF to the entire population of Indonesia would cost between 0.76% and 2.07% of GDP by 2020.

**STEP 3 – Finalization**

The recommendations of the assessment and the results of the costing will be used to support discussions on social protection policy priorities and will provide a basis for discussions on the fiscal space and budget reallocations with different Government agencies.



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# Social Protection Assessment Based National Dialogue in Indonesia

Description of existing social security & social protection schemes for each of the four Social Protection Floor guarantees, identification of policy gaps and implementation issues, recommendations, rapid costing exercise to estimate the cost of introducing missing social protection provisions

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 Jakarta, 18 November 2011

## 4- Income security for the working age population

### Existing provisions

- ♦ Termination pay for all formal sector employees
- ♦ Full salary in case of sickness for up to 12 months and maternity leave of 3 months for all formal sector employees
- ♦ Partial income replacement for informal sector workers in case of sickness, work injury or death through the Askesos program
- ♦ Occupational injury and death benefits under PT Jamsostek for formal sector employees
- ♦ Occupational injury and death benefits under Jamsostek pilot program for informal economy workers
- ♦ Community Empowerment Program (PNPM)
- ♦ Vocational training programs (BLK)
- ♦ Micro credit programs (KUR and PNPM)

WORKING AGE



### Costing of income security for the working age population

Closing the SPF gap for the working age population through the establishment of a public works program linked with vocational training would cost 0.35% of GDP by 2020.

More detailed feasibility studies of an Unemployment Insurance scheme and of a Single Window Service need to be conducted.



## 2- Access to Health Care

### Existing provisions

- ◆ Health Insurance for the poor (Jamkesmas and Jamkesda)
- ◆ Health Insurance for Civil Servants (PT Askes) and Military Personnel (own hospitals)
- ◆ Health Insurance for formal sector employees (PT Jamsostek and private insurers)
- ◆ Universal Delivery Care (Jampersal)
- ◆ Jamsostek pilot program for informal economy workers

HEALTHCARE

### Policy gaps & implementation issues

- ◆ Non-poor informal economy workers and their families are not covered
- ◆ HIV/AIDS treatment is not covered
- ◆ Lack of reproductive health programs for adolescents
- ◆ The majority of private formal sector employees are not covered due to high evasion of social contributions
- ◆ Targeting issues under Jamkesmas
- ◆ Unclear benefit package in Jamkesmas leading to unanticipated out-of-pocket payments
- ◆ Lack of data on beneficiaries and utilization

### Key recommendations

- ◆ Develop and apply a specific benefit package for the Jamkesmas program
- ◆ Include other services/diseases in the benefit packages of the Jamkesmas, Jamsostek and Askes schemes such as transportation costs under Jamkesmas and HIV/AIDs treatment under all schemes
- ◆ Improve Jamkesmas database system
- ◆ Improve linkages with health care supply (reception of patients, hospital payment systems...)
- ◆ Increase enforcement of Jamsostek Law in the private sector
- ◆ Increase coverage of informal economy workers through the design of adapted enrolment & contribution mechanisms, a mapping of IE workers, the expansion of Jamkesmas to a larger population, the development of regulations to implement Law No. 40/2004, etc.

### Costing of income security for children

Closing the SPF gap for children would cost between 0.05% of GDP ("low" scenario) and 0.2% of GDP ("high" scenario) by 2020.

The "low scenario" includes:

- ◆ Extension of the PKH program to all poor households (and not only the very poor households)

The "high scenario" includes:

- ◆ Universal child allowance (IDR 400,000/year)

CHILDREN



### Costing of health care provisions

Closing the SPF gap for health care would cost between 0.27% of GDP (“low” scenario) and 0.57% of GDP (“high” scenario) by 2020.

The “low scenario” includes:

- ◆ Extension of Jamkesmas to the poor who are uncovered due to mistargeting
- ◆ Inclusion of HIV treatment and checkups for the entire population
- ◆ Introduction of a universal package to reduce Mother to Child HIV Transmission

The “high scenario” includes:

- ◆ Provision of higher levels of benefits (based on the report of the WHO Commission on Macroeconomics and Health) to all in the informal economy
- ◆ Inclusion of HIV treatment and checkups for the entire population
- ◆ Introduction of a universal package to reduce Mother to Child HIV Transmission

HEALTH

### Key recommendations

- ◆ Extend coverage of the PKH and scholarship programs, and calculate the corresponding costs
- ◆ Explore the possibility of introducing a universal child allowance, and calculate the corresponding cost
- ◆ Increase availability of schools and health care services in remote areas
- ◆ Develop more linkages between access to health, nutrition and education
- ◆ Improve targeting and data collection under all programs
- ◆ Reduce administrative costs of Raskin
- ◆ Explore the merger of the PKH and Scholarship programs to avoid duplication



### 3- Income security for children

#### Existing provisions

- ◆ BOS (school operational assistance) and Scholarships for the Poor
- ◆ Conditional Cash Transfers (PKH and PKSA)
- ◆ Rice for the Poor (Raskin)
- ◆ School Feeding Program
- ◆ Universal basic vaccinations for under-fives

#### Policy gaps & implementation issues

- ◆ Lack of comprehensive programs for children under 15 years old who are out of school
- ◆ Limited coverage area of the PKH program
- ◆ Insufficient supply of health and education services to ensure fulfillment of the PKH conditionalities
- ◆ Lack of reliable data and efficient targeting mechanisms
- ◆ Despite BOS allocation, schools are still imposing extra fees
- ◆ Unclear targeting mechanism of the Scholarships for the Poor program

CHILDREN