

# Chapter 6

## Social Protection in Indonesia: How Far Have We Reached?

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March 2010

**This chapter should be cited as**

Widjaja, M. and R. A. Simanjuntak (2010), 'Social Protection in Indonesia: How Far Have We Reached?', in Asher, M. G., S. Oum and F. Parulian (eds.), *Social Protection in East Asia – Current State and Challenges*. ERIA Research Project Report 2009-9, Jakarta: ERIA. pp.157-181.

## CHAPTER 6

### **Social Protection in Indonesia: How Far Have We Reached?**

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*The efforts to implement social protection for Indonesian society actually are not new. It has been started since 1969, marked with the issuance of Law no 11/1969 regarding the pension provision for civil servants. However, the implementation of government provision of social protection was limited to the groups of civil servants in the society, for both health and pension. The structure of Indonesian social protection lasts for around thirty years, until the economic crises ruined the life of Indonesian social economy in 1998. In year 2000, some social assistance programs, like rice for the poor, were introduced into the social protection programs to help the Indonesian poor mitigate the dire impact of economic crises. At the time, the social assistance programs were not only intended for the group of civil servants per se but also for the whole groups of Indonesian society, as long as they were in needs.*

*Further, the intentions of Indonesian central government to protect all groups of Indonesian citizens are stipulated into the Law no 40/2004, called the National Social Protection Law (Sistem Jaminan Sosial Nasional – SJSN), issued at the end of the President Megawati administration. Despite the strengths and the weaknesses of the Law, it has been the most important turning point of the journey of the Indonesian social security. In the progress, however, there are no guidelines set for implementation of the Law. There is also no intention from the central government to amend the Law. Instead, the President SBY administration stipulated another Law No 11/2009 regarding Social Welfare to support the implementation of Law No 40/2004.*

*Meanwhile, even though the Law 40/2004 has no subsidiary law supporting it, the implementation of the Law has brought about some good progress for the social protection issues in Indonesia, especially for the health issue. Four years after the Law was issued, in 2008, the central government launched the National Health Protection Program (Jaminan Kesehatan Masyarakat), followed by the Local Health Protection Program (Jaminan Kesehatan Daerah) 2 years later. The programs totally cover roughly 87 million people, about one-third of total Indonesian population.*

*Unfortunately, the progress in health protection issue is not followed by the progress in old-age protection issue. So far, there is no solution offered by the government regarding ways to protect the economic life of aging population in Indonesia, especially those who are not working as civil servants. Therefore, there is still much homework to be done for the Indonesian government in protecting the economic life of aging population, as well as protecting the health of the total population.*

## **1. Introduction**

The purpose of this paper is to illustrate the current state of Social Protection in Indonesia. The term “social protection” refers to an integrated system of protective measures against risks, in order for individuals, households and communities to minimize the normal day to day risks that can occur in life, mitigate the impact of economic shock, and to support vulnerable groups within society. Social protection includes several public intervention instruments, such as social insurance, social assistance and social safety nets, with additional space for private and community-based initiatives.

Social protection is broken-down into social security and social assistance. On one hand, social security, which is the main component of social protection, is comprised of the key social insurances, including health and pension insurance, unemployment benefits, work injury insurance and disability grants. The financing for the insurance is mainly taken from contributions from the participants. On the other hand, social assistance comprises of non-contributory measures targeted at vulnerable groups and individuals, such as the poor, elderly, and disabled. The financing for this is mainly taken from taxes.

In Indonesia, the effort to increase support for the poor was aided by the Government’s decision in October 2004 to implement Law No. 40 in year 2004. It is the Law pertaining to social protection, also known as Undang-Undang Sistem Jaminan Sosial (SJSN). According to that Law, social protection would include pensions and savings for the elderly, national health insurance, work injury insurance and death benefits for survivors of deceased workers. Law No 40/2004 is an important step in the history of social protection in Indonesia because for the first time, after 59 years of independence, the Indonesian Government stipulates a social security program that covers all Indonesian citizens, including formal and informal sector workers, the unemployed and the poor (Bappenas and GTZ, 2004).

The Law No. 40/2004, stipulated at the end of President Megawati’s era in order to give the impression to society that the ruling party at that time cared about the welfare

of Indonesian society, had been drafted by a task force appointed through the Vice-President's Office, based on the Presidential Decree (Keppres) No. 22/2002.

Unfortunately, because President Megawati was replaced by Susilo Bambang Yudoyono (SBY) in 2004, the implementation of Law No. 40/2004 moved forward very slowly. There are no guidelines set for the implementation of the law, which also means there has been no specific action taken. Meanwhile, several cash assistance initiatives for the poor implemented under the SBY cabinet have been implemented on a project basis rather than as permanent programs. There are 3 incidences where cash assistance was granted. Twice, in order to prevent the increase of poverty due to gas increases, and once to win the hearts of the people in order to gain victory in the second term election. There are also other types of social assistance projects, such as rice for the poor (beras untuk rakyat miskin - raskin), and the school operational assistance (Bantuan Operasional Sekolah – BOS). However, those projects are small in terms of volume, uncoordinated in their implementation, and have long lags in implementation times between each other.

Meanwhile, there are 2 programs for social assistance that are held within the first term of SBY's presidency (2004-2009). One is known as the family independency program (Program Keluarga Mandiri-PKM). This program is designed to support a poor family with the goal of helping them to be self-sufficient. It is a long term program with some volunteers involved who also work and live within the family as part of the program. Some cash assistance is also provided from the program. However, since there are not many persons who want to be volunteers, this program falls short of expected goals and targets. The other social assistance program is known as the government budget basis school program. This program is introduced to exempt students of public school from having to pay tuition fees from elementary school to junior high school. Even though the students have been exempted from having to pay tuition fees there are still many other fees stipulated by the school that they have to pay.

Currently, the SJSN program is conducted under the Coordinating Minister of People's Welfare (Menko Kesra), and is the basis for the founding of the National Social Security Council (Dewan Jaminan Sosial Nasional - DJSN). DJSN, founded at the end of the first term of the SBY presidency, includes 11 persons, most of who are health experts. However, the existence of DJSN gives little impact on today's

implementation of Indonesian social protection. Neither DJSN has any clear program or coordination with other pension or health care institutions. Widjaja's interview with one of the members of the DJSN stated that there has not been much progress made by DJSN since the council was founded.

While there are many stories regarding the social assistance projects and programs, this is not the case for Indonesian social security. There is little news regarding the progress of the social security implementation. With such slow progress, the state of the current Indonesian social security system is not much different compared to the state of the Indonesian social security system in the year 2004 when the Law was stipulated.

In terms of pensions, health insurance, and housing, Indonesian social security has never adopted a systematic approach; neither in the conceptualization nor in the implementation. The administration of social security services has remained fractured and incomplete, covering only a relatively small part of the population.

**Table 1. The Current Indonesian Social Security Institution**

	<b>Pension</b>	<b>Health</b>	<b>Housing</b>
<b>Armed Forces</b>	ASABRI	ASKES	--
<b>Civil Servant</b>	TASPEN	ASKES	BAPERTARUM
<b>Private Sector Employees</b>	Private Pension institutions	JAMSOSTEK	--

*Source:* Subianto (2006).

From Table 1, the reader can see that for the members of the Armed Forces, the pension is managed by a state-owned enterprise named PT ASABRI, while their health insurance is managed by a state-owned enterprise named PT ASKES. For civil servants, the pension is managed by a state-owned enterprise named PT TASPEN, while their health insurance is managed by PT ASKES. For civil servants, additional social security in terms of housing provision is managed by a state-owned enterprise named PT BAPERTARUM. However, since housing is not actually a common focus for social protection worldwide, we will refrain from discussing and analyzing PT BAPERTARUM.

Next, the authors of this paper will elaborate on the Indonesian social security institution, starting from PT TASPEN.

## **2. The Current Indonesia Social Security Institution**

### **2.1. Social Security Institution for Pension Program**

#### *2.1.1. PT TASPEN*

Perusahaan Negara Dana Tabungan dan Asuransi Pegawai Negri (PN TASPEN) was founded in April 17, 1963, based on Government Regulation (Peraturan Pemerintah) No. 15/1963. In 1970, its status changed from Perusahaan Negara (PN) to Perusahaan Umum (Perum). Twelve years later in 1982, its company status changed again into its current status, Perseroan Terbatas (PT) TASPEN. The changes were stipulated by the Government Regulation No. 25/1981.

According to the Government Regulation No. 25/1981, PT Taspen is a state-owned enterprise whose task is to offer a social insurance program for civil servants. The program consists of a Savings Program for elderly people called The Old Age savings program (Tabungan Hari Tua-THT) and a Civil Servant Pension Program.

#### **a. The Old Age Savings Program**

This program consists of Dwiguna Insurance and Life Insurance. On one hand, Dwiguna insurance is a multi-purpose insurance that provides protection during the service period of a civil servant. It provides life insurance when a civil servant dies during service. It also provides retirement benefit when a civil servant is alive at the time of retirement. On the other hand, life insurance programs protect the family of a civil servant. It also protects the civil servant him/herself and any spouses and their children.

Participation in the Old-days savings program is mandatory for civil servants, except those civil servants working at the Armed Forces Ministry (Kementrian Pertahanan), and state-owned enterprise workers. Participation in the program begins as soon as one is accepted as a civil servant and membership terminates when the participant retires, dies, or resigns. The benefits of being a member of the Old-days Savings Program are:

- (1) Full insurance benefit is paid to the participants whose service ends because of pension and or death whilst being an active member of the civil servants.

(2) Partial insurance benefit is paid to the participants whose services does not end due to a pension or death.

*a.1. The Funding of the Old-days Savings Program*

Every civil servant, no matter the gender, level and position pays an amount of 3.25% of their monthly salary into their private savings account. That amount includes the payment for both Dwiguna Insurance and Life Insurance. Meanwhile, their benefit is calculated by using the following formula:

The Benefit formula for Dwiguna Insurance:

a. Retired	$RB = BF * IP * ( I + \Delta I )$
b. Deceased	$DB = BF * (56- Age of Entry) * ( I + \Delta I )$
c. Quit	$QB = BF * ( I + \Delta I )$

Where:

RB = Retirement Benefit; DB = Deceased Benefit; QB = Quitting Benefit

BF = Benefit Factor, 0.60 for retired and deceased civil servant, and 0.55 for retired and deceased Judge, else for Quitting.

IP = Installment Period

I = Monthly salary

$\Delta I$  = the automatic salary increase, roughly 17% for every 3 years.

Meanwhile, the benefit formula for Life Insurance is given as such:

The Benefit formula for Life Insurance:

$TB = BF * (1 + 0.1 * B/12) * ( I + \Delta I )$
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Where:

TB = Total Insurance Benefit

BF = Benefit Factor. The value is 2 for participants, 1.5 for the spouse and 0.75 for the children.

B = Monthly Benefit

I = Installment

$\Delta I$  = the automatic salary increase, roughly 17% every 3 years.

However, due to the increase in civil servants' salaries, as of January 2007, PT Taspen claimed an unfunded liability which totaled Rp. 1.6 trillion for the Old-days Savings Program. This deficit will increase as the salary of the participants (civil servants) increases automatically every 3 years. Without any support from the government budget, this program will not be able to sustain itself in the future years, as the participants start to retire.

*a.2. Participants of the Old-days Savings Program*

The participants of the program are shown in Table 2.

**Table 2. The Participants of Indonesian Old-days Savings Program as of January 2007**

<b>Items</b>	<b>Civil Servant</b>	<b>Judges</b>	<b>Government Officers</b>	<b>Total</b>
1. The number of employees (people)	3,637,876	5,101	1,515	3,644,492
2. The number of spouses (people)	2,463,223	4,016	1,168	2,468,407
3. The number of children (people)	4,285,301	7,649	1,712	4,294,662
4. Average age of employees (years)	42.9	46.3	44.6	
5. Average installment period (years)	17.6	19.5	3.0	

*Source:* PT TASPEN (2008).

As of January 2007, there are roughly 3.6 million civil servants, 5,101 judges and 1,515 government officers (echelon III to echelon I), who participate in the Old-days Saving Program. This amount actually includes all of the Indonesian civil servants. The following section is an elaboration of the funding adequacy of the program.

**b. The Civil Servant Pension Program**

The pension program is mandatory for all civil servants. The base Law for the civil servant pension program is Law No 11/1969, as well as Government Regulation No 25/1981. This pension program is actually the only public pension program available in Indonesia. At the time the program was introduced in 1970, it was designed to provide incentives for people to be a civil servant.



*b.1. The Funding of the Pension Program*

Each civil servant pays 4.5% of their monthly salary to the program. Meanwhile, their benefit is calculated by using the following formula:

The benefit formula for participants:

a. Able-bodied	$MB = (2.5\% * WP * PS) + Allowance$
b. Physical Disability due to a working accident	$MB = (75\% * PS) + Allowance$
c. Physical Disability due to a non- working accident	$MB = (2.5\% * WP * PS) + Allowance$

*Source:* Subianto (2006).

Where:

MB = Monthly benefit payment

WP = Working Period

PS = Principal Salary

Allowance = wife allowance (10% \* PS) + children allowance (2% \* PS) + rice

Meanwhile, the benefit formula for the inheritor is as such:

The benefit formula for spouse/ children:

<u>Spouse</u>	
a. Participant with able-bodied	$MB = (2.5\% * WP * PS) * 36\% + Allowance$
b. Participant died	$MB = (72\% * PS) + Allowance$
<u>Children</u>	
c. Parental pension	$MB = (20\% * 72\% * PS) + Allowance$

*Source:* Subianto (2006).

In addition to the benefit mentioned above, the family of a participant will receive a condolence benefit as much as 3 times the last monthly benefit plus a 4 months extension of a participant's monthly pension benefit after the participant died.

Next, are illustrations regarding the amount of retired civil servants and the amount of pension benefit they received. They are illustrated in Table 3 and Table 4.

**Table 3. The Projected Amount of Retired Groups of the Indonesian Civil Servant Pension Program**

<b>Retired Civil Servant Groups</b>	<b>Year 2008 (people)</b>	<b>2009 (people)</b>	<b>2010 (people)</b>	<b>2011 (people)</b>	<b>2012 (people)</b>
<b>Central Government</b>	1,035,229	1,043,635	1,054,830	1,055,141	1,049,246
<b>Local Government</b>	605,349	630,559	680,703	728,329	775,323
<b>Judges</b>	2,780	2,874	2,998	3,039	3,064
<b>Government Officers</b>	5,935	6,312	6,574	6,314	6,027
<b>Armed Forces</b>	268,750	263,380	251,330	236,788	221,210
<b>Veteran</b>	166,601	158,710	143,348	128,725	114,930
<b>Police Force</b>	1,434	1,359	1,216	1,085	966
<b>State-owned Pawnshop</b>	1,127	1,117	1,091	1,052	1,007
<b>Total</b>	<b>2,087,206</b>	<b>2,107,946</b>	<b>2,142,090</b>	<b>2,160,474</b>	<b>2,171,773</b>

*Source:* PT TASPEN. (2008)

In Table 3, the reader may see that the retired amount of civil servants keeps increasing from year to year. The largest group is the central government retired civil servants. The second largest group is the local government retired civil servants. The third is the retired armed-forces group. Due to the decentralization program held in Indonesia, the number of local government civil servants is increasing, which will cause the number of its government retirees to rise in the future. As a result, the total number of civil servants who are retired is expected to increase in the future, due to the increase of local government retired civil servants. The increase in the number of central government and armed-forces retirees outweighs the decrease.

**Table 4. The Projected Pension Benefit Received by Retired Groups of the Indonesian Civil Servant Pension Program**

<b>Retired Civil Servant Groups</b>	<b>Year 2008 (Rp Billion)</b>	<b>2009 (Rp Billion)</b>	<b>2010 (Rp Billion)</b>	<b>2011 (Rp Billion)</b>	<b>2012 (Rp Billion)</b>
<b>Central Government</b>	16,759.3	19,059.3	21,609.9	24,189.9	26,856.2
<b>Local Government</b>	10,735.7	12,667.5	15,531.9	18,801.9	22,553.1
<b>Judges</b>	102.2	118.3	136.9	153.4	170.8
<b>Government Officers</b>	145.4	177.5	211.5	224.7	237.1
<b>Armed Forces</b>	3,621.7	3,983.4	4,194.2	4,343.9	4,452.6
<b>Veteran</b>	1,527.2	1,631.3	1,616.9	1,593.8	1,562.2
<b>Police Force</b>	19.8	20.9	20.6	20.1	19.6
<b>State-owned Pawnshop</b>	16.4	18.2	19.6	20.8	21.8
<b>Total</b>	<b>32,927.6</b>	<b>37,676.5</b>	<b>43,341.6</b>	<b>49,348.7</b>	<b>55,873.6</b>

Source: PT TASPEN (2008).

### *b.2. Participants of the Pension Program*

The participants of the program are shown in Table 5. As it is assumed that there is an increase in salary for each group of civil servants, the expected pension benefit will increase sharply, even though the expected number of civil servants increases slowly. From the calculation, the reader may see that within 5 years, from 2008-2012, the total expected amount of paid pension benefits will increase by roughly 50%. This increase will put pressure on the central government budget, as the burden to pay the pension benefits falls on the central government. If the system is not reformed, it is expected that the payment system of pension benefit will fail sometime in the future.

### *b.3. The Adequacy of Civil Servant's Pension*

Widjaja's interview with a civil servant retiree and several current civil servants concludes that the actual replacement rate of monthly pensions paid is 70% to 80% of the principal salary. For information, the salary of a civil servant in Indonesia has a

principal component and several allowance components. To some extent, the amount of the allowance component may be much higher than the amount of the principal.

The pension amount increases, and is adjusted to the salary increase. Let us take an example from a female pensioner. When she retired a few years ago from her position as a civil servant, her monthly principal salary by the time she retired was Rp1,000,000 and the amount of monthly pension she received was Rp800,000. In addition to that, she also received a certain lump sum amount from the old-days savings program, paid only once when she retired. Currently, after 20 years of retirement, she receives Rp1,800,000 as her monthly pension. That amount is comparable to 75% of the monthly principal salary of a current active civil servant at the same level when she retired.

This wage-adjusted increase of the pension amount, even though it seems good, it actually does not compete with the increase in the rate of inflation. The average annual inflation rate in Indonesia is 10% under normal economic conditions. Therefore, the real amount of the pension actually decreases, because the monthly principal salary of civil servants is raised by the government once every three years by 17%. The purchasing power of the pension amount of a civil servant retiree actually decreases.

#### *b.4. Governance and Management of PT Taspen*

PT Taspen is known to be a state-owned enterprise that has good governance and good management. It has 6 branch offices located in 6 different big cities: Jakarta, Medan, Bandung, Surabaya, Semarang, and Makassar. On its website, PT Taspen announced its annual financial report, cash flow and balance sheet; as part of corporate transparency. Its financial performance is audited by a public auditor. In the last 2 years of available reports, they claimed they had made a handsome profit in year 2007 as much as Rp147,4 billion and in year 2008 Rp385,9 billion.

#### *2.1.2. PT ASABRI*

Initially, the pension of armed forces, the police department and the civil servants of armed forces and of the police department was managed by PT Taspen, starting in 1963. However, because there is a necessity for the armed forces to have its own pension program, Perum (Perusahaan Umum – Public Enterprise) ASABRI was founded in

August 1, 1971, based on Government Regulation No 45 year 1971. In 1991, based on Government Regulation No 68 year 1991, the corporate status of Perum Asabri was changed into PT (Perseroan Terbatas - Public Limited Company).

a. Funding and Benefit of PT Asabri

The membership of PT Asabri is mandatory and automatic as one becomes a member of the armed forces. Similar to the insurance fee of PT Taspen, every member of PT Asabri also pays 8% of their monthly salary for the insurance payment. The benefits for members of PT Asabri are: death allowance, benefits for the insured, spouse and children, and disability allowance benefits for the insured.

b. Governance and Management of PT Asabri

As a state-owned enterprise, PT Asabri has its own captive market in managing the social insurance of the armed forces. Therefore, it has no incentive to improve its own internal management and governance. On its website, people can see that its official financial report is not updated. The latest financial report is the one from the year 2005. In addition, there is no official information regarding exactly how many members of armed forces has become a PT Asabri member. One source of information tells that there are roughly 2 million people that have become PT Asabri member. There is no information regarding how much benefit payment has been made. Currently, PT Asabri has its own headquarters in Jakarta, with 11 branches in 11 big cities in Indonesia.

## **2.2. Social Security Institution for Health Program**

### **2.2.1. PT ASKES**

The Social Health Insurance Program is the initial task of PT. Askes (Persero), based upon Government Regulation No. 69 year 1991. Membership of PT Askes is mandatory. Members include; Civil servants, government officers, retired civil servants, retired armed forces and retired police officers, retired government officers, and veterans, as well as honorarium civil servants.

a. Governance and Management of PT Askes

As a state-owned enterprise, PT Askes has its own captive market in managing the social insurance of civil servants and the armed forces. Therefore, it has no incentive to improve its own internal management and governance. There are no official financial reports available on its website, which means that there is very little transparency.

b. The Funding and Benefits

The insurance fee paid by members equates to 2% of their monthly salary. Benefits can be received not only by the insured person but also by members of the insured's family, including spouse and two children. There is no additional payment needed for visits to doctors and for any medicine prescribed. However, this only includes visits to state-owned hospitals that provide services for Askes card holders. The type of hospital offering services for Askes card holders is actually rare and there is only one in each municipality that is available from PT Astek. In addition, there is no official information regarding exactly how many civil servants and armed forces members have become PT Astek members. Also, there is no information regarding how much benefit payment has been made. Similar to PT Asabri, PT Askes has its own headquarters in Jakarta, with 11 branches in 11 big cities in Indonesia.

c. Social Protection under SJSN

The issuance of Law No 40 year 2004 actually has extended the coverage of social protection, especially health protection, from the workers in the formal sector to those in the informal sector. The proposed framework as stipulated in Law No. 40 year 2004 consists of the following:

1. Five mandatory programs, namely work-accident protection, life insurance, provident fund, pension, and health maintenance programs.
2. Coverage for the entire work force-, including the gradual inclusion of informal workers.
3. Pre-funding for all programs.
4. A tripartite board to assist the President in formulating policies for a national social security system.
5. Several state companies to run the program.

Currently, out of the pension program and the health program, only the health maintenance program is on going under the ones originally intended by the SJSN Law. The pension program still needs some time before it will become fully functional, due to lack of taxes infrastructure and funding. The health protection program under SJSN is the one called Jaminan Kesehatan Masyarakat (Jamkesmas – The Social Health Protection). The following section is an elaboration of Jamkesmas, including the legal basis for its implementation, and its achievements.

### **The Experiences of Askes Card Holders**

Widjaja's interview with 3 Askes participants revealed some interesting phenomena. The interviewed revealed that there are actually 4 classes of services for Askes card holders: Platinum, Gold, Silver and Regular. Platinum is the highest class, usually provided for high level government officers or members of parliament. Among the 3 participants, one is a platinum card holder, while two are regular card holders.

The platinum card holder had no complaints at all with the service. The platinum card holder attended either a high class private hospital or public hospital for services and medicine. However, that is not the case for the regular card holders. The regular Askes card holders stated that neither the service they received from the doctor nor the prescription was satisfactory. They even felt that the hospital administration service for Askes card holders was annoying. PT Askes participants felt that they received a lower quality of service from the doctor; compared to other patients who paid by themselves for medical services. The doctor gave a generic medicine prescription that could only be redeemed at a certain pharmacy, located far away from the hospital. While the platinum card holder and a regular card holder stated that they felt healthier after taking the prescribed medicine, the other regular card holder stated that after taking the prescribed medicine, instead of getting better, he was getting more ill. Finally, he went once again to a hospital - but a different one this time- paid the regular service price, and received good treatment and medicine, and felt better.

The Jamkesmas program is implemented under the Ministry of Health, through PT Askes. The initial name of the program is Asuransi Kesehatan Masyarakat Miskin (Askeskin – The Health Protection for the Poor). Based on the Decree of the Ministry

of Health No. 1241 year 2004, the purpose of Askeskin is to provide health services for the poor, which is actually a large part of Indonesian society. The name 'Askeskin' was changed to 'Jamkesmas' in 2008, although it is still under the management of PT Askes.

The target group of the Jamkesmas program is the poor, as many as 19.1 million families, or roughly 76.4 million people, assuming that one household has 4 family members. That amount is gathered by the Badan Pusat Statistik (BPS - Central Board of Statistics) in the year 2006 population census. However, the number of protected people achieved is slightly below the target, roughly 71.5 million people (Table 7).

Meanwhile, the participation of Jamkesmas is based on a quota set by the Minister of Health. For the poor who have identity papers, the names of participants are registered by regents and mayors. For the poor without identity papers, such as the homeless and pan handlers, the participation is registered by the Head of Social Services of each regency and city. Based on the 2 registration systems, PT Askes distributed Jamkesmas participation cards. The following table shows the performance of the Jamkesmas program in the year 2008.

**Table 5. The Performance of Jamkesmas Program Year 2008**

No	Items	Target Amount	Achievement	Percentage of Target
1	Decree of Regents/Mayors	471	465	98.7
2	Participants (people)	73,770,631	71,563,453	97.0
3	Card Distribution			
	- Regency / City	471	465	98.7
	- Card Issued	71,585,469	71,585,469	94.1
	- Card Received by participants	71,585,469	71,563,453	94.1
4	Hospitals in Charge	855	--	--
5	Service Utilization			
	a. Out-hospital Treatment	--	2.685.502	--
	b. In-hospital Treatment (non ICU)	--	951.471	--
	c. Intensive Care Unit	--	415.985	--

Source: PT Askes (2010).



Readers may see from Table 7 that the Jamkesmas program, by 2008, had already reached 465 regencies and cities, and had already distributed participation cards to more than 71 million people. There are 855 hospitals in charge of supporting the program. Meanwhile, in 2008, there were more than 2.6 million out-patient hospital visits, more than 950 thousand in-patient hospital visits, and more than 400 thousand Intensive Care Unit (ICU) admissions. It can be concluded that this program has been helping many of the poor people to get health and medical assistance, with the support of the central government budget.

Still remaining from Table 7, one phenomenon is the difference between the target amount of people and the amount of cards distributed. It may be concluded that the program does not reach its targeted amount of people due to a lack of the number of cards issued. The authors' impression from that phenomenon is that the program still lacks coordination between planning and the actual implementation. On other occasions, still connected to the card distribution issue, there are reports that the card distribution is not well planned. Some people who deserve to receive the card do not get it, some people who do not deserve the card end up receiving it. In other cases, poor people with the card still had to pay the hospital for the services they received (Kompas, 2010a).

In addition to the Jamkesmas Program, there is also another program named Jaminan Kesehatan Daerah (Jamkesda – Local Social Health Protection). The amount of Jamkesda participants reached almost 11 million people. This program is similar to Jamkesmas, with the local government providing the funding. However, it should be noted that currently, there are still many people who do not have health protection. The total population of Indonesia is 230 million people, while only about half of the population has health protection, either self-supported or state-supported. The current state of health protection is illustrated in Table 8.

**Table 6. The State of Health Protection in Indonesia Year 2009**

<b>Health Program</b>	<b>The Amount of Participants (million people)</b>
1. Jaminan Kesehatan Masyarakat	76.4
2. Jaminan Kesehatan Daerah	10.8
3. Social Health Insurance for Civil Servant (Askes)	14.9
4. Jamsostek for private employee	3.9
5. Asabri Health insurance for Armed Forces and Policeman	2.0
6. Private Commercial Insurance	8.8
<b>Total</b>	<b>116.8</b>

Source: Kompas Daily (2010b).

### 2.2.2. PT. JAMSOSTEK

Jaminan Sosial Tenaga Kerja (Jamsostek – Labor Social Insurance) was founded in 1992, based on Law No 3 year 1992. Jamsostek is a state-owned enterprise whose task is to provide employment accident insurance, provident fund, death insurance and health care insurance. A worker can only be a member of PT Jamsostek if one works in a formal labor market. However, unlike the membership at PT Taspen, one should not be a civil servant.

The definition of Jamsostek's schemes according to the Law No. 3 Year 1992 is as follows:

#### a. The Jamsostek schemes

*a.1. Employment Accident Program* provides employers with a reimbursement of medical costs and transportation expenses from the place of accident to the hospital. An employee suffering from a work related accident or disease or dead are eligible for benefits. Temporary disability benefits which are available for employees include 100% of earnings for the first 4 months, 75% of earnings for the second 4 months, and 50% of earnings thereafter.

*a.2. Provident Fund Program* is a compulsory savings scheme payable to employees who have reached the age of 55 or have suffered total permanent disability. The benefit can be withdrawn by the members when they are unemployed after having been a member of the program for no less than 5 years and 6 months. The promised rate of accrued interest is fixed at 10%.

a.3. *Death Benefit Program* is contributed by employers at 0.3% of wages and provides a cash payment to the heirs of an employee who died before age 55. Benefits provided are death allowance, funeral allowance and 24 months living allowance for the remaining family.

a.4. *Health Care Program* provides covered employees with medical services and treatment for out-patient, in-patient, maternity, drugs, delivery and other medical services to the members and their families who fall sick.

Programs (a) to (d) are initial programs held since the founding of Jamsostek. Later on, in order to provide coverage for informal workers, Jamsostek adds two additional programs (e) and (f).

a.5. *Non-Contracted Workers Program* provides programs (a) to (d) for self-employed and informal workers. The program is based on Government Regulation No 14/1993.

**Table 7. Jamsostek Contribution Fee**

Program	Production Sector	Contribution of Workers With Working Contract Scheme (as % of salary)		Contribution of Workers beyond Working Contract Scheme (as % of salary)
		Employer	Employee	Worker
1. Employment Accident	Services Sector	0.24	--	1.00
	Agriculture and Manufacturing	0.54	--	1.00
	General Contractor and Trading	0.89	--	1.00
	Ship-building and Storage	1.27	--	1.00
	Mining and Explosive	1.74	--	1.00
2. Provident Fund		3.7	2.00	2.00 (minimal)
3. Death Benefit		0.30	--	0.30
4. Health Benefit		3.00 (single) 6.00 (couple)	-- --	3.00 (single) 6.00 (couple)

Source: PT Jamsostek and Purwoko (1998 )

a.6. *Construction Services Working Program* provides social insurance for construction workers, either paid by a daily scheme or in a lump-sum. The scheme is based on the Regulation of the Labor Force Ministry No. 196 year 1999. The workers can be involved in both private and public construction projects.

**Table 8. Laborers Participation of Jamsostek Program (people) Year 2006 - 2008**

	2008	2007	2006
<b>Employment Accident program, Provident Fund, and Death Benefit</b>	26.300.000	23.729.950	23.081.367
<b>Construction Services Working Program</b>	3.632.072	3.332.959	2.681.635
<b>Health Care Program</b>	1.800.000	1.621.175	1.412.352
<b>Total</b>	31.732.032	28.684.084	27.175.354

Source: PT Jamsostek.(2010)

b. Governance and Management of PT Jamsostek

Similar to PT Taspen, PT Jamsostek is also known as a state-owned enterprise that has good governance and good management. It has 6 branches of offices located in 6 different large cities: Jakarta, Medan, Bandung, Surabaya, Semarang, and Makassar. PT Jamsostek announced its annual financial report on its website which included cash flow and a balance sheet; as part of corporate transparency. Its financial performance is audited by a public auditor. For the last 2 years of available reports, they claimed they had made an after-tax profit in the year 2007 as much as Rp679,0 billion and in the year 2008 Rp930,1 billion.

PT Jamsostek is able to manage its own assets in order to pay insurance liabilities. Their revenues are taken from insurance fees, corporate subsidiary revenues, net investment profits and provident fund investment revenues.

### 3. Bridging the Gap between Reality and Expectation

An observation of the current state of social security in Indonesia for both pension and health protection after the stipulation of Law No 40 year 2004 shows that there has been some progress as well as some drawbacks. On one hand, the progress is that the

amount of people covered by health protection has increased. On the other hand, the drawbacks are: low coverage, program fragmentation and an uncovered informal sector. Since the authors of this paper have already discussed the progress of health protection, we will discuss only the parts of the system that need improvement.

The first issue is low coverage. In terms of the pension program, there has been improvement after the stipulation of the SJSN Law (Law No 40 year 2004). This means that only roughly 20 million workers in Indonesia out of a total of 110 million people of the labor force are covered by the Taspen, Asabri and Jamsostek schemes. The ratio is still low, about 18% of the total working force. In terms of health protection, with 116.8 million people currently covered, this still leaves another 114 million people left without health protection. The ratio of people out of the total population who have health protection is around 50% and that is already a good progress. This is a multiple increase compare to the situation in 2005 when ADB (2007) reported that only 16 % of the total population is protected by the social health protection. However, there is still a great need to protect the health of the rest of the population.

The second issue is the fragmentation of the program. One good argument for reform is to build an integrated pension system, as well as an integrated health system. Currently, there are 3 public pension institutions with three fragmented program; as well as are 3 public health institutions with 5 programs. There are benefits of having a coherent system of social protection. The first is an efficient allocation of administrative resources, both personnel and funding. The second is the ability to enhance coordination among programs targeting the poor. The existing National Social Security Council (DJSN) fails to do these necessary tasks.

The third issue is the protection of the informal sector. The existing Non-Contracted workers protection program held by PT. Jamsostek failed to get membership from informal sector workers. Widjaja (2008) and Bappenas and GTZ (2008) have asserted that the amount of workers in the informal production sectors is increasing relative to the total workers in Indonesia. Angelini and Hirose (2004), in their report to the International Labour Organization, stated that the main obstacle of the protection for the informal sector workers is the very low and unsustainable income of workers.

There are roughly 70% labor workers in the informal sector, most of them are unskilled. A large portion of this group, approximately 45%, works in the rural

agricultural sector. The rest are distributed within the service production sectors. Therefore, a failure to protect the informal sector workers is actually a failure to protect the largest section of Indonesian workers loss of income due to death or accidents at work.

## **4. Current Fiscal Development and Social Protection**

### **4.1. Fiscal Stimulus**

In order to mitigate the impact of the global economic crises on the Indonesian economy, in 2009 the Indonesian central government issued a fiscal stimulus package. Unfortunately, no provision was made within the fiscal stimulus program to support the implementation of social protection, for both social protection and social assistance. Included in the fiscal stimulus program are: individual income tax savings; import tax subsidies; subsidy to households and industries; and increased spending on infrastructure.

### **4.2. Fiscal Decentralization**

Starting in the year 2008, one can see that there is a link between fiscal decentralization and social protection issues. In addition to the health protection program that is held at the national level, additional program has been held at the municipality level, with 10.8 million people protected under the local government funding. However, it is not clear why the amount of people protected under the local government budget is only 10.8 million people, compared to 76.4 million protected under the central government budget. Also, it is not clear how the central government and the locals share the burden of health protection among them. In addition, it is not clear how the local governments will manage to sustain their participation in the long run.

### **4.3. Fiscal Space**

Fiscal Space is defined as non compulsory expenditures that the government may spend from the total budget after compulsory expenditures, without causing fiscal insolvency. Included in compulsory expenditures are civil servants' salaries, debt services, subsidy and fiscal decentralization (Ministry of Finance, 2010). According to the official statement, in the year 2008, the fiscal space of the central government budget reached 4.38% of the total budget. In year 2009 it is expected to reach 5.39%, while in year 2010 it is expected to reach 4.66%. Therefore, the average fiscal space is between 4% to 5% annually.

In Table 9, the composition of central government budget spending is listed. The largest spending is on general services, while the second largest is on the economy. In Table 9, consists in the Social Protection programs expenditures are actually spending items no. 7 (Health) and spending items no. 11 (Social Protection). Added together, annual spending for both Health and Social Protection is 3.7% in 2007, 2.9% in 2008 and 3.0% in 2009. This means, given that the annual fiscal space is higher than the annual spending on health and social protection added together, then the central government is still able to increase spending on both health and social protection, up to 100% of the current amount, without having problems with fiscal solvency. For example, if the spending for the 2 items increases by 3% of the total annual budget, given the fiscal space is 5% of the total annual budget, the budget still has fiscal space as much as 2% of the total annual budget.

**Table 9. Indonesia: The Composition of Actual Central Government Budget Spending In Percent**

No	Central Government Spending Items	Year		
		2007	2008	2009
1	General Services	62.7	76.7	67.7
2	Defense	6.1	1.3	1.7
3	Security and Order	5.6	1.0	2.0
4	Economy	8.4	7.2	9.3
5	Environment	1.0	0.8	1.0
6	Housing and Public Facility	1.8	1.8	2.5
7	Health	3.2	2.5	2.5
8	Culture and Tourism	0.4	0.2	0.2
9	Religion	0.4	0.1	0.1
10	Education	10.1	7.9	12.5
11	Social Protection	0.5	0.4	0.5
	<b>Total</b>	100.0	100.0	100.0

*Source:* Author's calculation; based on official figures.

## 5. Final Remarks

Social protection in Indonesia may be classified between the situation before the stipulation of SJSN Law no 40 year 2004 and after the stipulation. It may be concluded that the existence of Law No. 40 year 2004 has great influence on the map of social protection in Indonesia. Major progress has been made within health protection, where the Jamkesmas program covers more than 70 million people. However, in the area of death insurance and disability insurance in the working place, the situation after the SJSN Law remains much the same compared to the situation before. The same thing happened with social protection for pensions and the elderly. There has not been much progress on how the income of the elderly is protected. Only civil servants and the members of the armed forces and police officers are protected, as well as the wealthy population who can pay for the protection for themselves.

Meanwhile, even though Law No 40 year 2004 itself is very utopian, there has been little effort from the current parliament with regards to amending the law or adding any



implementation regulations below that Law. What we mean by utopian is that the Law has a strong purpose to provide social protection for all of the Indonesian population but does not consider how the central government will gather the source of funds to do so (Arifianto 2004). Meanwhile, parliament has issued Law no 11 year 2009 regarding Social Welfare even though the content of Law No 11 year 2009 has no relationship with Law no 40 year 2004. In theory the implementation of Law No 11 year 2009 seems to support the existing Law No 40 year 2004.

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