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# Extension of Social Security Coverage for the Informal Economy in Indonesia

Surveys in the Urban and Rural Informal Economy

John Angelini  
Kenichi Hirose



**International Labour Organization**  
Subregional Office for South-East Asia and the Pacific  
Manila, Philippines

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For more information, please contact us at:

ILO Subregional Office for South-East Asia and the Pacific  
19th Floor, Yuchengco Tower, RCBC Plaza  
6819 Ayala Avenue, 1229 Makati City  
P.O. Box 4959 Makati City, Philippines  
Telephone number: (632) 580 9900  
Fax number: (632) 580 9999  
E-mail address: [manila@ilomnl.org.ph](mailto:manila@ilomnl.org.ph)  
Website: [www.ilo.org/manila](http://www.ilo.org/manila)

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John Angelini  
Kenichi Hirose

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# Foreword

Social security is a global concern for all employers, workers and national governments. It is estimated that only one in five people in the world has adequate social security coverage while half of the world's population is without any social security protection at all. Lack of social security coverage is largely concentrated in the informal economy, where women are more likely to be working.

With the passage of the *National Social Security System Act* (Law No. 40 of 2004), Indonesia has taken a major step towards the development of a comprehensive social security system.

The ILO has been closely involved in assisting with the process of reform and improvement through the technical cooperation project “*Restructuring of Social Security Systems in Indonesia*” from 2001 to 2002. The main findings and recommendations of the project were presented in a comprehensive publication “*Social Security and Coverage for All*”.

This Working Paper has been prepared as a follow up to the project. The paper focuses on the extension of social security coverage to workers in the informal economy. In particular, the paper presents the results of surveys assessing social security needs of workers in the informal economy in both urban and rural areas. The outcome of these surveys will provide valuable primary information for the development of effective policy on social security coverage extension to these groups of workers.

Indonesia is facing a number of challenges in the implementation of the national social security system. The ILO, in collaboration with other international organizations, continues to be involved in assisting the government and social partners in meeting these challenges.

In Indonesia, increased social protection for excluded vulnerable groups, in particular workers in the informal economy and migrant workers, is one of the chief priorities of the *Tripartite Decent Work Country Programme* for the period 2004-2005. I trust that this Working Paper, prepared by Mr. John Angelini and Mr. Kenichi Hirose, will stimulate discussion and contribute to the achievement of the national goal of universal coverage of social security.

Jakarta, December 2004

Alan Boulton  
Director,  
ILO Jakarta Office



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# Glossary

<b>ASABRI</b>	PT Asuransi Sosial Angkatan Bersenjata Republik Indonesia. Social insurance system designed to provide pension and endowment insurance benefits to Indonesian Armed forces personnel.
<b>ASKE S</b>	PT Asuransi Kesehatan Indonesia. 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.
<b>ASKE SOS</b>	Asuransi Kesejahteraan Sosial. Social Welfare Insurance Program, coordinated by Department of Social Affairs
<b>BAPEL</b>	The carrier of JAMSOSTEK health insurance programme also known as JPKM.
<b>BAPPENAS</b>	The National Development Planning Agency
<b>BPS</b>	Biro Pusat Statistik. The National Statistics Agency in Indonesia
<b>CV</b>	Perseroan Komanditer/Comanditair Vennootschap is a type of proprietorship to run a business between individual(s) who is(are) willing to manage the business and take full responsibility including private assets of the other proprietor(s) not wishing to manage the business but willing only to assume limited responsibility in accordance with their assets invested in the company.
<b>DEPNAKERTRANS</b>	Departemen Tenaga Kerja dan Transmigrasi. Department of Manpower and Transmigration
<b>FIRMA</b>	Firma is an establishment in the form of a partnership to run a business in a common name with shared responsibility and profits.
<b>FORMAL ECONOMY</b>	The formal sector represents the more administratively visible part of the economy and society, namely the public and private corporate sector and comprises enterprises and the professional self-employed that have been accorded Legal Status and are regarded as legal entities.
<b>GUBERNUR/ BUPATI</b>	Governor/Regent
<b>INFORMAL ECONOMY</b>	All economic activities by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements. The urban informal sector comprises those individuals and employers that have not been accorded legal status and have commenced their operations often without the sanction or knowledge of the local authorities (e.g. cottage workers).
<b>JABOTABEK</b>	Jakarta – Bogor – Tangerang – Bekasi. The title given to the conglomeration of Jakarta and the surrounding cities.
<b>JAMSOSTEK</b>	PT Jaminan Sosial Tenaga Kerja. The state corporation (Persero) established in 1977 and responsible for Employees Social Security. Changed from Astek in 1995.
<b>KOPERASI</b>	Cooperative is an economic organisation based on social spirit and comprised of

individual and company members under a mutual ownership system.

<b>LEGAL ENTITY</b>	An enterprise that has legal authority in the form of Perum, PD, PT,/NV, CV, Firma, Koperasi, Yayasan, SIPD, Diparda, Village credit scheme, foreign company etc.
<b>Ltd/Corporation</b>	Legal status of foreign enterprises that have licences to operate in Indonesia.
<b>PD</b>	Perusahaan Daerah is a company of which the shares are owned by local government with the assets separated from the local government assets. A Perusahaan Daerah is run for maximising profit to support local regional development.
<b>PERJAN</b>	A Perjan is a non-profit oriented, government funded departmental agency that provides a specialized public service e.g. railways.
<b>PERSERO (PT)</b>	A Persero is a profit orientated, limited liability, state company where the government's capital is based on shares, 100% 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 company assets are separated from state owned assets.
<b>PERUM</b>	Perusahaan Umum Negara is a company not merely aimed at making profit but also for providing services to the public in the form of vital public utilities, by considering not only its efficiency, effectiveness, economical and its goods and services. The company's entire capita is owned by the state and is divorced from state owned assets. The company can accept credit in the form of government bonds and can deal with other companies as part of its business. A typical Perum is a non-profit oriented, public utility company (e.g. electricity) that is not based on shares divisions.
<b>PT/NV.</b>	Perusaan Terbatas is a company owned by shareholders, with the shareholders assuming a limited liability no more than the nominal value of shares. Each shareholder has voting rights to participate in the running of the business, depending on the number of shares held or by agreement among shareholders.
<b>RITSBLAAD/STAATSBLAAD</b>	Is an arrangement that regulates the establishment of various village credits.
<b>SIPD</b>	(C class quarrying) is a local mining permit to conduct quarrying of rock, sand, clays, kaolin etc.
<b>SJSN</b>	<b>Sistem Jaminan Sosial Nasional.</b> National Social Security System
<b>TASPEN</b>	PT Dana <b>T</b> abungangan dan <b>A</b> suransi <b>P</b> egawai <b>N</b> egeri. Annuity pensions and endowment insurance benefits scheme for government civil servants.
<b>YAYASAN</b>	A foundation that is a non-profit establishment mainly used for social service related purposes with separately identified assets.

# Summary

The Constitution of Indonesia stipulates that every citizen has the right to social security and emphasizes the role of the State in providing universal social security coverage. However, only a small number of people in Indonesia have adequate social security. One of the greatest challenges to the achievement of the goal of universal coverage is the informal economy which currently employs two-thirds of all workers. The study aims to provide a basis for the formulation of the policy to extend the social security coverage to workers in the informal economy.

## Problems with the coverage of social security to the informal economy workers

Although the scope of the Act No. 3, Year 1992 on the Employees' Social Security covers all workers under any employer-employee relationship, the actual mandatory coverage is limited to employers with 10 or more employees or a monthly payroll of more than Rp. 1 million. This implies that most enterprises that currently comply with the Act are the formal sector enterprises with legal entities.

There are a number of hindering factors for extending social security coverage to the informal sector workers:

- The low and irregular income of the informal economy workers is a major obstacle in ensuring secure resources. As most workers in the informal economy receive irregular income, the establishment of a gross or net monthly salary is difficult and unreliable. In the absence of employers' participation, the total contributions are not affordable by most workers in the informal economy. In addition, unless the employers comply with making social security contributions on behalf of the employees, efficient collection of contributions is difficult with the existing administrative infrastructure.
- The type and level of benefits are not responsive to the priority needs and resource constraint of workers in the informal economy. Whilst it is desirable to provide the full range of social security benefits, the existing programs cannot provide the flexibility needed for workers in the informal economy.
- Moreover, general lack of awareness of social security concept and distrust of government institutions, which are common among workers in the informal economy, negatively affect the willingness to pay contributions.
- The success of the coverage extension critically depends on the concurrent improvement of administrative capacity. This is critical not only because the volume of administrative tasks increases but also because those currently excluded are more likely to pose considerable problems of registration, compliance, collection of contributions, and record keeping.

## Social security assessment of the informal economy workers

Formulation of the policies and strategies for extension should be based on the analysis of identification of the excluded individuals and the assessment of their priority needs of social security.

### (1) Classification of the informal economy workers

Though the workers in the informal economy consist of heterogeneous groups, one can classify the workers in the (urban) informal economy in terms of access to and stability of the place of employment and the resources. This classification can help policy planners to develop progressive measures to extend the social security cover to workers in the informal economy. It may also assist in the identification of the poor and vulnerable groups in the informal economy. A realistic strategy would be to extend the scope of the coverage

from relatively organised workers with more regular income to highly mobile workers who live on a day-to-day basis.

## **(2) Identification of priority needs and contributory capacity**

The social security needs of those in the informal economy differ according to their social and family status (women, children, youths, the elderly), the degree of hazard in the particular occupation (e.g. garbage scavengers, drivers of motor cycle taxis), the work setting (at home, on the street, in a sweat shop), the milieu (communities more than establishments), and their ability to make regular contributions to the insurance fund.

In trying to develop appropriate mechanisms to cover the risks borne by workers in the informal economy, it is important to understand the range and types of risks that are present and how they may be prioritized. The strategy on how the informal economy workers may adopt to manage these risks must be evaluated. This would allow benefit packages and delivery systems to be designed that are fully responsive to the needs of workers in the informal economy.

## **(3) ILO surveys in the urban and rural informal economy**

The ILO conducted two surveys which aim at collecting primary indicators of social security needs and information of the informal economy workers. The urban survey was conducted in 2001 in three areas that had heavy concentrations of urban informal economy and a total of 1,999 people were surveyed in East Jakarta, Bandung and Yogyakarta. The rural survey was conducted in November 2003 with a total of 2,169 informants in the rural areas surrounding Bandung at Sukabumi and Pangandaran in West Java, around Cirebon north east of Jakarta, and around Semarang in central Java.

Key survey results are as follows:

- There is a high need for some form of social protection for the informal economy workers. Health insurance is the highest priority whereas work injury and age benefits were also high priorities in the urban survey but old-age benefits and education in the rural survey.
- A significant portion of the informal economy workers are willing to contribute to a suitable scheme. In the urban survey 41.4% replied that they were prepared to contribute, while 16.0% replied positively in the rural survey.
- At the same time, the survey results confirm the limited contributory capacity for rural and urban informal economy workers. Without any form of cost sharing or subsidy, it would be difficult for the informal economy workers (especially those working in rural areas) to contribute Rp. 25,000 per month for health insurance in addition to premiums for other programs.

Overall, these results indicate that people both in the urban and rural informal economy in Indonesia have an interest in social security and would be prepared to contribute to a scheme that suits their needs and priorities. Hence these findings provide a basis for a possible policy design in the form of pilot projects.

## **Program development: options**

In general, there is no single solution to extend the coverage of social security to the informal economy workers. To this goal, the report proposes a combination of the following three options.

- Extending the existing statutory social security schemes;
- Creating a special scheme for the informal economy workers; and,
- Encouraging the development of micro-insurance schemes.

### **(1) Extension of the existing social security schemes**

#### *(i) Measures and recommendations*

The option aims to bring all the workers with employer-employee relationships within the bounds of current legislation of the statutory social security schemes. In the case of Jamsostek, this option intends to remove the existing legislative restriction (Government Regulation No. 14, 1993), which limits the compulsory coverage to the formal sector enterprises with 10 or more workers and a monthly payroll of Rp. 1 million.

A shift of focus to smaller workplaces will require additional resources for the development and implementation of a program to reinforce the compliance with the regulations, which involves marketing, promotion, additional staffing, training, accommodation, IT programs and transport. The efficiency should also be enhanced to provide services for smaller workplaces. The extension of the formal scheme coverage should be accompanied with the improvements in the supporting administration capacity. A number of recommendations on the improvements in the procedure and administration, and information technology of Jamsostek made in the ILO Restructuring project are still valid. Without these improvements expansion of the membership will be difficult to achieve or remain less efficient.

The contribution and benefit structure under the existing legislation cannot provide the flexibility needed for workers in the informal economy. In the short term it is more feasible for Jamsostek to develop a policy for informal sector workers jointly with organized groups and private insurance companies by delivering flexible programs through local facilitators. The employer group collection method should be kept as it has proven to be efficient; however additional group collection methods need to be devised if smaller enterprises and self-employed workers are included in the statutory membership of Jamsostek.

#### *(ii) Migrant workers*

Particular mention must be made to the international migrant workers as a growing number of Indonesian workers, a majority of whom are women, leave the country to work overseas. Migrant workers face multiple disadvantages in their working conditions, such as the lack of social protection. There is a need for improved social protection for migrant workers. The following issues should be addressed:

- Review the current policy to exclude migrant workers from Jamsostek and include them in the scheme or develop a programme that meets their needs; and
- Develop a partnership with the key agents in the process (Depnakertrans, employment agencies and Jamsostek) to provide social security cover to migrant workers. Incorporating the employment agencies as employers on the social security IT system could also provide the management information that is not currently available to Depnakertrans.
- Initiate steps to conclude multilateral and bilateral agreements with major receiving countries that ensure the maintenance of rights and equality of treatment on social security.

## **(2) Special scheme for the informal economy workers**

Given the limitations of the current legislation and fund structure, it may be more effective to create a new fund and contribution model for informal economy workers. In the case of Jamsostek, this could be achieved through the development of the Government regulations as mentioned in Article 4 (2) of Act No.3, 1992.

#### *(i) Development of the models*

To develop a viable social security scheme for informal economy workers it will be necessary to develop models that provide meaningful benefits with affordable contributions. Implementation of such schemes needs to be progressive and take into account the wide variety of occupations, organizations and geographical distribution of the workers. The following prerequisites are recommended as a first step in the process of developing social security models for Indonesian informal sector workers.

- Select the executing agencies and identify risks to be covered by the scheme.
- Design the programs in terms of the benefits, services, contributions and management fees (including risk assessments). The programs should offer flexible options with a range of contribution rates and

benefits to satisfy the needs and capacity of different groups and include at least injury, health, death, old-age and other voluntary savings schemes.

- Develop administrative procedure and service delivery models for the programs concentrating on group schemes but also providing options for individual and self-employed contributors. The models should include management information requirements to allow close monitoring and evaluation of the schemes. Develop a training strategy and programme for administrative staff.
- Define user requirements, analysis and design of an IT system with sufficient data that can be integrated into the unified IT system in the future.
- Design and develop the implementation and marketing strategy. Conduct a small-scale test of the suitability and sustainability of the programs.

Although a flexible approach that allows for more choices to the members will facilitate the entry of currently excluded workers, voluntary membership should be seen as a transitional measure to alleviate temporary administrative and budgetary constraints. In the long term the government must accept its responsibility to provide for a minimum social security system for all citizens.

*(ii) A proposed self-funded program*

In extending social security to the informal economy workers, without government assistance by means of a contribution subsidy the success of any scheme will depend critically on being able to attract sufficient numbers of contributors. It is recommended that a large-scale (possibly area based) pilot scheme be conducted as the precursor to full-scale implementation of the scheme across the country.

The pilot programme would need to incorporate the elements of the above recommendations and be able to identify the most suitable program and administrative models for future implementation. The outcomes of the pilot would be to develop associations of informal economy workers based on trust, meaningful social security programmes and an administration capable of collecting contributions and payment of benefits that can be replicated across the country.

A successful large-scale pilot scheme promoted as part of the social security reforms and supported by international agencies would improve the understanding of social security in local communities, highlight the community needs and stimulate the extension of social security coverage in Indonesia. A partially subsidised scheme would demonstrate government commitment to improve the enrolment rates and thus ensure a higher probability of long-term success and sustainability.

### **(3) Promoting micro-insurance schemes**

*(i) Basic ideas*

Promotion of micro-insurance schemes based on group contributions would need to be considered as an alternative interim measure to provide social security for the informal economy workers.

There are several advantages that support the success of this approach. Firstly, such schemes are expected to be more accountable with the commitment by the leader and participation in management and sense of ownership by members. Secondly, these schemes can have benefits and contributions structure that is more responsive to the needs of the members. Self-help groups supported by trained facilitators are seen as the key to successful implementation of a social security program for informal economy workers.

An inherent concern about micro-insurance schemes is its fragility. Lack of necessary preconditions has led many micro-insurance schemes to have a short life span before they become insolvent, usually as a result of imprecise assessment of risk, failure in investment and inadequate delivery of services. Smaller schemes may be less profitable, have higher administrative overheads, provide lower benefits, increased risk of insolvency and may in the longer term jeopardise the development of a future government subsidised system by legitimatising evasion through support of informal arrangement.

Therefore, to extend the coverage by means of micro-schemes while ensuring their sustainability, the Government is expected to play an important role as a coordinator and as the guarantor of last resort. In the long run, therefore, the most sustainable arrangement may be to bring these decentralized schemes under the Government umbrella in which self help groups can facilitate registration of members and collection of contributions.

*(ii) A proposed pilot project*

Some experimentation is required to identify suitable programmes, administrative models, appropriate partnerships and the effectiveness of various models. These models could make use of some of the existing self-help groups that are already established and steps could be taken to extend those groups and to develop new groups based on the most successful methods currently in use.

The following principles are recommended for the development of strategies for extension of social security to the informal sector.

- Self-help groups should be the core of the social security models.
- Groups should have external local facilitators from the social security agency and selected NGO and be supported by local administrations and other local partners.
- Contributions and benefits should incorporate flexibility to cope with the situation of the informal economy workers.
- Subsidies from all levels of government would encourage contributors and offset the high contribution to personal income ratio which is a feature of micro-insurance schemes,

In conjunction with the other reforms of social security in Indonesia it would be highly desirable to conduct a pilot project to extend social security opportunities to the informal economy workers and their families. The suggested group insurance schemes in Indonesia are:

- Area based and to a lesser degree occupation based;
- Able to provide mutual support for members;
- Have identified group leaders; and
- Externally supported by trained facilitators.

The process of conducting a pilot scheme should consider the following key points:

- Identify the priority social security needs of informal economy workers in the target areas (the methodology developed for the needs assessment survey can be applied for this purpose);
- Develop a flexible programme for the informal sector that could allow a mix of options for cover to accommodate individual needs and capacity to pay premiums,
- Develop the administrative arrangements for establishment of the fund, collection of contributions and process of claims;
- Develop a model of linking the micro-insurance schemes with the national social security schemes;
- Determine the role of the key stakeholders in national and local governments, NGOs and the service delivery agency;
- The potential for subsidies to be provided to contributors to assist in the promotion of the schemes and to support their short-term sustainability;
- Establish appropriate options for pooling of funds, re-insurance and guarantees against unanticipated situations;

- Improve knowledge and capabilities of local resources in implementing social security system; and
- The length of the trial and the future of the scheme after the trial period.

The pilot scheme could assess the suitability and effectiveness of:

- The programmes and schemes for segments of the informal economy such as urban, rural and for occupational groupings;
- Administrative processes and costs;
- Group dynamics such as group building, management and sustainability,
- Training of group leaders and group facilitators;
- Providers of services, local government, social security organisations, NGOs and private companies;
- Financial impact of fully self-funded and subsidised schemes; and
- Most appropriate models for extension to other areas.

### **Concluding remarks**

There is a large unmet need for social security in the informal economy in Indonesia. The extension of coverage to the urban and rural informal economy will require the efforts to (i) identify the social security needs for different groups of workers, (ii) determine their social risks, (iii) develop programs based on risks, income and needs, (iv) identify group collection and support mechanisms, (v) pooling and reinsurance to promote sustainability, and the appropriate role for the private sector and governments at all levels.

Results of the rural and urban informal economy surveys have demonstrated that a carefully structured program may be able to attract sufficient contributors to make a contributory scheme viable in terms of numbers, however the dispersed nature of the contributors, the variability of their income, their capacity to pay and the administration issues suggest that solutions will not be simple to develop or to maintain. The extension of social security to the informal sector is feasible if one could develop a viable scheme that is flexible, affordable, sustainable and well-marketed and understood.

The National Social Security System Act (SJSN Act) which came into effect on October 2004 is a major milestone in the development of social security system in Indonesia. The law anticipates the achievement of the universal coverage in a phased manner. However, the law provides a basic framework for the development of the social security and social assistance and the detailed rules will be worked out in the subsequent Presidential Regulations. There needs to be a mid-term implementation plan (road map) defining the process of implementing the SJSN Act in stages and strategic action plans that describe the goals to be achieved for each stage of implementation.

Limited population coverage of social security is one of the major deficits for the fulfilment of Decent Work and the extension of social protection coverage is given a high priority in the Indonesia Tripartite Action Plan for Decent Work 2002-2005. The process of extension is slow and complex and it is not accomplished without strong commitment of the key stakeholders. To contribute to the national goal of universal coverage of social security, the ILO stands ready to provide further technical assistance as a follow up to the recommendations made in this report. In particular, it would be prepared, subject to financial resources being available, to assist in the formulation of effective strategies for the implementation of projects proposed in the present report.



# Ringkasan

Undang-undang Indonesia menetapkan bahwa setiap warga negara memiliki hak untuk memperoleh jaminan sosial dan menekankan adanya peran Negara dalam menyediakan jaminan sosial dalam jangkauan yang universal. Namun demikian, hanya ada sedikit orang di Indonesia yang memiliki jaminan sosial yang cukup. Salah satu tantangan terbesar untuk mencapai tujuan jangkauan universal adalah ekonomi informal yang saat ini mempekerjakan 2/3 bagian dari total pekerja yang ada. Studi-studi yang dilakukan bertujuan untuk menyediakan dasar penyusunan kebijakan untuk memperluas jangkauan jaminan sosial bagi pekerja di ekonomi informal.

## Masalah Jangkauan Jaminan Sosial Pekerja Ekonomi Informal

Meskipun Undang-Undang (UU) No. 3 Tahun 1992 mengenai Jaminan Sosial menjangkau semua pekerja dalam hubungan antara pengusaha-pekerja, fakta yang ada adalah jangkauan ini hanya terbatas pada pengusaha dengan 10 pegawai atau lebih atau bergaji bulanan lebih dari Rp. 1 juta. Ini artinya, mayoritas perusahaan yang menaati peraturan ini adalah perusahaan di sektor formal yang sudah berbadan hukum.

Ada beberapa faktor yang menghambat perluasan jangkauan jaminan sosial bagi pekerja di sektor informal:

- Pendapatan pekerja informal yang rendah dan tidak menentu merupakan hambatan utama dalam menjamin kepastian sumber daya. Karena kebanyakan pekerja ekonomi informal berpendapatan tidak tetap, pendapatan kotor atau bersih setiap bulannya sulit diperkirakan dan tidak dapat diandalkan. Jika perusahaan tidak turut berperan, kontribusi keseluruhan tidak dapat terjangkau kebanyakan pekerja ekonomi informal. Selain itu, kecuali perusahaan menaati peraturan dengan menjamin adanya kontribusi jaminan sosial atas nama pekerja, pemberian kontribusi secara efisien pun sulit dilakukan dengan infrastruktur administrasi yang ada saat ini.
- Jenis dan tingkat manfaat tidak sejalan dengan kebutuhan dan sumber daya yang menjadi prioritas sekaligus hambatan bagi pekerja ekonomi informal. Sementara itu, ada keinginan untuk menyediakan beragam manfaat jaminan sosial, program yang ada saat ini tidak dapat memberikan fleksibilitas yang dibutuhkan pekerja ekonomi informal.
- Selanjutnya, kurangnya kesadaran atas konsep jaminan sosial dan ketidakpercayaan terhadap lembaga negara yang umum terjadi di kalangan pekerja ekonomi informal, memberikan dampak negatif terhadap keinginan pekerja untuk berkontribusi.
- Keberhasilan jangkauan perluasan ini sangat tergantung pada peningkatan kapasitas administratif berkelanjutan. Hal ini penting bukan hanya akibat peningkatan volume tugas administratif, tetapi juga akibat tugas-tugas yang tidak tercakup cenderung menimbulkan masalah dalam hal pendataan, ketaatan pada peraturan, pemberian kontribusi dan pencatatan.

## Penilaian Jaminan Sosial Pekerja Ekonomi Informal

Penyusunan kebijakan dan strategi untuk perluasan program ini harus berdasarkan analisis identifikasi para individu dan penilaian kebutuhan utama mereka akan jaminan sosial.

### (1) Klasifikasi pekerja sektor ekonomi informal

Meski para pekerja ekonomi informal terdiri atas kelompok yang heterogen, seseorang bisa mengklasifikasikan pekerja di ekonomi informal (daerah perkotaan) berdasarkan akses ke tempat kerja dan stabilitas tempat kerja

serta sumber daya yang ada. Klasifikasi ini dapat membantu perencana kebijakan untuk menyusun dan mengembangkan langkah-langkah untuk memperluas jangkauan jaminan sosial bagi pekerja di ekonomi informal. Hal ini juga dapat membantu identifikasi kelompok miskin dan rentan dalam ekonomi informal. Strategi yang realistis dapat memperluas cakupan jangkauan dari kelompok pekerja terorganisir (*organized workers*) yang berpenghasilan lebih tetap hingga kelompok pekerja harian yang selalu berpindah-pindah.

## **(2) Identifikasi kebutuhan yang menjadi prioritas dan kapasitas memberikan kontribusi**

Kebutuhan akan jaminan sosial dari pekerja ekonomi informal dibedakan menurut status sosial dan keluarga (perempuan, anak-anak, kaum muda, usia lanjut), tingkat bahaya dari jenis pekerjaan tertentu (misalnya pemulung sampah, pengojek), kondisi tempat kerja (di rumah, jalan, bengkel), kondisi lingkungan pergaulan, dan kemampuan mereka untuk menyediakan dana asuransi secara teratur.

Dalam upaya mengembangkan mekanisme yang tepat untuk menanggung risiko yang ditanggung pekerja ekonomi informal, penting untuk memahami kisaran dan jenis risiko yang ada serta bagaimana mereka diprioritaskan. Strategi mengenai bagaimana pekerja ekonomi informal menangani risiko ini harus dievaluasi. Hal ini mengarah pada rancangan paket manfaat dan sistem penyampaian yang benar-benar sejalan dengan kebutuhan pekerja ekonomi informal.

## **(3) Survei ILO mengenai ekonomi informal di perkotaan dan pedesaan**

ILO melakukan dua survei yang bertujuan menghimpun indikator-indikator utama kebutuhan dan informasi tentang jaminan sosial dari pekerja informal. Survei di perkotaan dilakukan tahun 2001 di tiga daerah yang memiliki jumlah pekerja informal yang besar, serta sebanyak 1.999 orang diteliti di Jakarta Timur, Bandung dan Yogyakarta. Survei di pedesaan dilakukan bulan November 2003 dengan jumlah responden keseluruhan sebanyak 2.169 orang, yaitu di daerah sekitar Bandung (Sukabumi dan Pangandaran di Jawa Barat), sekitar Cirebon di timur laut Jakarta, dan sekitar Semarang di Jawa Tengah.

Temuan-temuan utama antara lain:

- Tingginya kebutuhan akan bentuk-bentuk perlindungan sosial bagi pekerja ekonomi informal. Asuransi kesehatan menjadi prioritas utama, di mana kecelakaan kerja dan jaminan usia menjadi prioritas utama di perkotaan sementara tunjangan hari tua dan pendidikan di pedesaan.
- Terdapat porsi yang signifikan dari pekerja ekonomi informal yang ingin berkontribusi sesuai aturan. Berdasarkan survei di daerah perkotaan, sekitar 41,4% menyatakan siap memberikan kontribusinya sementara sekitar 16% memberikan respon positif di pedesaan.
- Di saat yang sama, temuan-temuan menunjukkan adanya keterbatasan kapasitas dari pekerja ekonomi informal di pedesaan dan perkotaan dalam memberikan kontribusi. Tanpa adanya pembagian biaya atau subsidi, akan sulit bagi pekerja ekonomi informal (khususnya di daerah pedesaan) menyediakan Rp. 25.000 per bulan untuk asuransi kesehatan jika tidak diimbangi dengan keberhasilan program-program lainnya.

Secara keseluruhan, hasil survei ini mengindikasikan bahwa kelompok ekonomi informal baik di perkotaan maupun pedesaan di Indonesia memiliki ketertarikan terhadap masalah jaminan sosial dan bersedia berkontribusi berdasarkan aturan yang dibuat sesuai dengan kebutuhan dan prioritas mereka. Oleh karena itu, hasil temuan ini merupakan dasar dalam menyusun rancangan kebijakan yang bisa diterapkan melalui proyek percontohan.

## **Pengembangan Program: Pilihan-pilihan**

Secara umum, tidak ada penyelesaian tunggal dalam memecahkan masalah memperluas jangkauan jaminan sosial bagi pekerja ekonomi informal. Untuk mencapai tujuan tersebut, laporan ini menawarkan kombinasi tiga pilihan di bawah ini.

- Memperluas skema jaminan sosial legal yang sudah ada;
- Membuat skema khusus untuk pekerja ekonomi informal; dan
- Mendorong pengembangan skema asuransi mikro.

### **(1) Perluasan skema jaminan sosial yang ada saat ini**

#### *(i) Langkah dan rekomendasi*

Pilihan ini ditujukan untuk membawa seluruh pekerja dengan hubungan pekerja-pengusaha ke dalam lingkup skema jaminan sosial menurut undang-undang. Untuk kasus Jamsostek, langkah ini bertujuan untuk menghapus keterbatasan undang-undang yang ada (Peraturan Pemerintah No. 14/1993), yang membatasi cakupan wajib bagi perusahaan sektor formal dengan 10 pegawai atau lebih serta berpendapatan bulanan Rp. 1 juta.

Pergeseran fokus ke tempat kerja berukuran lebih kecil akan memerlukan tambahan sumber daya untuk pengembangan dan pelaksanaan program guna menegakkan kembali kepatuhan terhadap peraturan yang melibatkan bidang pemasaran, promosi, penambahan staf, pelatihan, akomodasi, program Teknologi Informasi (TI) dan transportasi. Efisiensi pun harus ditingkatkan untuk memberikan pelayanan kepada tempat-tempat kerja kecil. Perluasan jangkauan skema formal harus dibarengi dengan perbaikan kapasitas administrasi pendukung. Sejumlah rekomendasi untuk memperbaiki prosedur dan administrasi serta teknologi informasi Jamsostek yang disusun melalui Proyek Restrukturisasi ILO masih bersifat valid. Tanpa perbaikan-perbaikan ini, perluasan keanggotaan akan sulit tercapai atau tetap kurang efisien.

Struktur kontribusi dan manfaat berdasarkan UU yang ada tidak bisa memberikan fleksibilitas yang dibutuhkan pekerja ekonomi informal. Untuk jangka pendek, lebih memungkinkan bagi Jamsostek menyusun kebijakan bagi pekerja ekonomi informal bekerjasama dengan kelompok-kelompok terorganisir dan perusahaan asuransi swasta dengan mengembangkan program-program yang bersifat fleksibel melalui fasilitator lokal. Metode pengumpulan kelompok pengusaha harus tetap diterapkan karena sudah terbukti efisien; kendati demikian, metode pengumpulan kelompok lainnya perlu dipikirkan apabila perusahaan yang lebih kecil dan wirausahawan diwajibkan menjadi anggota Jamsostek.

#### *(ii) Pekerja Migran*

Peraturan khusus harus disusun bagi pekerja migran internasional seiring dengan meningkatnya jumlah pekerja Indonesia, mayoritas perempuan, yang meninggalkan negara ini untuk bekerja di luar negeri. Pekerja migran menghadapi berbagai permasalahan berkenaan dengan kondisi kerja, misalnya kurangnya perlindungan sosial. Terdapat kebutuhan untuk meningkatkan perlindungan sosial terhadap pekerja migran. Berikut adalah masalah-masalah yang harus mendapat perhatian:

- Mengkaji ulang kebijakan yang ada untuk mengeluarkan pekerja migran dari keanggotaan Jamsostek serta memasukkan mereka ke dalam skema atau program yang khusus dikembangkan untuk memenuhi kebutuhan mereka; dan
- Membangun kemitraan dengan lembaga-lembaga kunci (Depnakertrans, penyalur tenaga kerja dan Jamsostek) guna menjangkau pekerja migran ke dalam jaminan sosial. Memasukkan penyalur tenaga kerja sebagai pengusaha di dalam sistem TI jaminan sosial dapat memberikan informasi manajemen yang saat ini belum tersedia di Depnakertrans.
- Memprakarsai langkah awal untuk menyusun kesepakatan multilateral dan bilateral dengan negara-negara penerima guna menjamin hak-hak dan kesetaraan perlakuan mereka dalam jaminan sosial.

### **(2) Skema khusus untuk pekerja sektor ekonomi informal**

Dengan adanya keterbatasan dari struktur perundang-undangan dan anggaran, kemungkinan akan lebih efektif menciptakan model anggaran dan kontribusi yang baru bagi pekerja ekonomi informal. Dalam kasus Jamsostek, hal ini dapat dicapai melalui penyusunan Peraturan Pemerintah seperti yang tercantum dalam Pasal 4 (2) UU No. 3/1992.

(i) *Pengembangan Model*

Untuk mengembangkan skema jaminan sosial bagi pekerja ekonomi informal, perlu dibuat model-model yang memberikan manfaat berarti dengan biaya terjangkau. Pelaksanaan skema seperti ini haruslah bersifat progresif serta melibatkan beragam jenis pekerjaan, organisasi dan distribusi geografis pekerja. Sejumlah prasyarat berikut direkomendasikan sebagai langkah awal dalam proses pengembangan model jaminan sosial untuk pekerja ekonomi informal di Indonesia.

- Memilih lembaga pelaksana dan mengidentifikasi risiko yang tercakup oleh skema tersebut.
- Merancang program-program dalam hal manfaat, pelayanan, kontribusi dan biaya manajemen (termasuk penilaian risiko). Program harus menawarkan pilihan-pilihan yang bersifat fleksibel dengan kisaran kontribusi dan manfaat guna memuaskan kebutuhan dan kapasitas kelompok-kelompok yang berbeda serta meliputi kecelakaan, kesehatan, kematian, usia tua serta skema tabungan sukarela lainnya.
- Mengembangkan model-model prosedur administratif dan pelayanan untuk program yang terkonsentrasi pada skema kelompok, namun juga menyediakan pilihan-pilihan bagi kontributor individual dan wirausahawan. Model tersebut harus mencakup persyaratan informasi manajemen untuk memungkinkan pemantauan dan evaluasi skema yang ketat. Mengembangkan strategi dan program pelatihan untuk staf administrasi.
- Mendefinisikan persyaratan, analisis dan rancangan pengguna sistem TI dengan data yang memadai yang dapat diintegrasikan ke dalam sistem TI terpadu di masa mendatang.
- Merancang dan mengembangkan strategi pelaksanaan dan pemasaran. Melakukan uji coba skala kecil tentang kesesuaian dan kesinambungan program

Meskipun pendekatan yang bersifat fleksibel yang menawarkan lebih banyak pilihan bagi anggota akan mempermudah upaya menjangkau pekerja yang berada di luar lingkup Jamsostek, keanggotaan sukarela harus dilihat sebagai langkah peralihan untuk menghapus hambatan administratif dan anggaran sementara. Untuk jangka panjang, pemerintah harus menerima tanggung jawab memberikan sistem jaminan sosial minimal bagi semua warganya.

(ii) *Pengajuan Program Didanai Sendiri*

Dalam upaya memperluas jangkauan jaminan sosial terhadap pekerja ekonomi informal, tanpa adanya dukungan pemerintah dalam hal kontribusi subsidi, keberhasilan skema apapun akan sangat bergantung pada kemampuan untuk menarik jumlah kontributor yang cukup. Karenanya direkomendasikan bahwa skema percontohan berskala besar (kemungkinan berdasarkan wilayah) dilakukan sebagai perintis untuk pelaksanaan skema dengan skala sebenarnya di seluruh Indonesia.

Program percontohan perlu memasukkan unsur-unsur dari rekomendasi di atas dan dapat mengidentifikasi model program dan administratif yang paling sesuai untuk pelaksanaan di masa mendatang. Hasil dari percontohan ini akan digunakan untuk mengembangkan keterkaitan antara pekerja ekonomi informal berdasarkan kepercayaan, program jaminan sosial yang bermanfaat serta administrasi yang mampu mengumpulkan kontribusi serta pembayaran manfaat yang dapat dicontoh di seluruh wilayah Indonesia.

Keberhasilan skema percontohan berskala besar yang dipromosikan sebagai bagian reformasi jaminan sosial serta didukung lembaga internasional akan meningkatkan pemahaman mengenai jaminan sosial di masyarakat setempat, menggarisbawahi kebutuhan masyarakat dan mendorong perluasan cakupan jaminan sosial di Indonesia. Skema yang disubsidi sebagian akan memperlihatkan komitmen pemerintah untuk meningkatkan tingkat pendaftaran serta memastikan keberhasilan dan kesinambungan dalam jangka panjang.

### **(3) Mempermosikan Skema Asuransi Mikro**

(i) *Ide dasar*

Promosi skema asuransi mikro berdasarkan kontribusi kelompok perlu dipertimbangkan sebagai suatu langkah alternatif sementara untuk memberikan jaminan sosial bagi pekerja ekonomi informal.

Ada beberapa keuntungan yang mendukung keberhasilan pendekatan ini. Pertama, skema seperti ini diharapkan lebih dapat diandalkan dengan dukungan komitmen dari para pemimpin serta partisipasi manajemen serta rasa memiliki dari para anggotanya. Kedua, skema tersebut dapat memunyai struktur manfaat dan kontribusi yang sejalan dengan kebutuhan anggotanya. Kelompok mandiri yang didukung fasilitator terlatih dipandang sebagai kunci dari keberhasilan pelaksanaan suatu program jaminan sosial bagi pekerja ekonomi informal.

Kekhawatiran terhadap skema asuransi mikro adalah kerapuhannya. Kurangnya prasyarat yang diperlukan menjadikan skema asuransi mikro ini berumur pendek sebelum akhirnya pailit. Ini dikarenakan penilaian risiko yang tidak tepat, kegagalan investasi dan tidak memadainya pelayanan. Skema yang lebih kecil memberi keuntungan yang lebih sedikit, biaya administratif lebih tinggi, manfaat yang lebih rendah, risiko pailit yang tinggi dan kemungkinan dalam jangka panjang membahayakan pengembangan sistem subsidi pemerintah dengan melegalkan upaya pengelakan melalui dukungan terhadap pengaturan tidak resmi.

Karenanya, untuk memperluas cakupan melalui skema mikro dan memastikan kesinambungannya, pemerintah diharapkan memainkan peran penting sebagai koordinator dan penjamin. Dalam jangka panjang, pengaturan yang paling berkesinambungan adalah membawa skema desentralisasi ini ke bawah payung pemerintah di mana kelompok yang mandiri bisa memfasilitasi registrasi anggota dan pengumpulan kontribusi.

#### *(ii) Pengajuan Proyek Percontohan*

Beberapa eksperimen diperlukan untuk mengidentifikasi program dan model administratif yang sesuai, kemitraan yang tepat dan efektivitas berbagai model. Model tersebut dapat memanfaatkan sejumlah kelompok mandiri yang sudah terbentuk dan langkah-langkah dapat diambil untuk memperluas kelompok-kelompok tersebut serta mengembangkan kelompok-kelompok baru ini berdasarkan metode yang paling berhasil digunakan saat ini.

Prinsip-prinsip berikut ini direkomendasikan untuk pengembangan strategi perluasan jaminan sosial ke sektor informal.

- Kelompok mandiri harus menjadi inti dari model jaminan sosial.
- Kelompok tersebut harus mempunyai fasilitator eksternal setempat dari agen jaminan sosial dan LSM terpilih, serta didukung administrasi serta mitra setempat lainnya.
- Kontribusi dan manfaat harus memiliki fleksibilitas dalam mengatasi situasi yang dihadapi pekerja ekonomi informal.
- Subsidi dari semua tingkatan pemerintahan akan mendorong kontributor dan menyeimbangkan kontribusi yang tinggi dengan rasio penghasilan perorangan yang merupakan perangkat dari skema asuransi mikro,

Berkaitan dengan reformasi jaminan sosial lainnya di Indonesia, sangat diharapkan untuk melakukan proyek percontohan untuk memperluas peluang jaminan sosial kepada pekerja ekonomi informal beserta keluarganya. Skema asuransi kelompok yang disarankan di Indonesia adalah:

- Berdasarkan wilayah dan tingkat pekerjaan yang lebih rendah;
- Dapat memberikan dukungan yang saling menguntungkan bagi anggotanya;
- Menentukan pimpinan kelompok; dan
- Secara eksternal didukung fasilitator terlatih.

Proses pelaksanaan skema percontohan harus mempertimbangkan hal-hal utama berikut ini:

- Mengidentifikasi kebutuhan jaminan sosial utama dari pekerja ekonomi informal di wilayah sasaran (metodologi yang dikembangkan untuk survei penilaian kebutuhan dapat diterapkan);
- Mengembangkan program yang bersifat fleksibel untuk sektor informal yang memungkinkan rangkaian pilihan perlindungan untuk mengakomodasi kebutuhan individu dan kapasitas untuk membayar premi;
- Mengembangkan pengaturan administratif untuk pengumpulan dana, kontribusi dan proses klaim;
- Mengembangkan suatu model yang mengaitkan skema asuransi mikro dengan jaminan sosial nasional;
- Menentukan peran para mitra kunci di pemerintahan nasional dan local, LSM serta agen pelayanan;

- Potensi subsidi yang akan diberikan kepada kontributor untuk membantu promosi skema ini dan mendukung kesinambungan jangka panjang;
- Menyusun pilihan yang tepat untuk mengumpulkan dana, asuransi kembali dan jaminan terhadap situasi yang tidak terduga;
- Meningkatkan pengetahuan dan kemampuan sumber daya setempat dalam menjalankan sistem jaminan sosial; dan
- Rentang waktu uji coba dan masa depan skema tersebut setelah periode percobaan.

Skema percontohan bisa menilai kesesuaian dan efektivitas dari:

- Program dan skema untuk segmen ekonomi informal seperti perkotaan, pedesaan dan pengelompokan berdasarkan pekerjaan;
- Proses dan biaya administratif;
- Dinamika kelompok seperti pembentukan kelompok, manajemen dan kesinambungan;
- Pelatihan pimpinan kelompok dan fasilitator kelompok;
- Pemberi pelayanan, pemerintah daerah, organisasi jaminan sosial, LSM dan perusahaan swasta;
- Dampak finansial dari skema yang sepenuhnya didanai sendiri dan yang disubsidi; serta
- Model yang paling sesuai untuk diperluas ke daerah lain.

## Kesimpulan

Terdapat kebutuhan besar akan jaminan sosial yang tidak terpenuhi dalam ekonomi informal di Indonesia. Perluasan cakupan ke ekonomi informal di perkotaan dan pedesaan akan memerlukan upaya sebagai berikut: (i) mengidentifikasi kebutuhan jaminan sosial untuk berbagai kelompok pekerja yang berbeda, (ii) menentukan risiko sosial mereka, (iii) mengembangkan program berdasarkan risiko, penghasilan dan kebutuhan, (iv) mengidentifikasi pengumpulan kelompok dan mekanisme dukungan, (v) mengumpulkan dan melakukan asuransi kembali untuk mempromosikan kesinambungan serta peran yang sesuai untuk sektor swasta dan pemerintah di berbagai tingkatan.

Temuan survei ekonomi informal di perkotaan dan pedesaan menunjukkan bahwa program yang strukturnya disusun secara seksama kemungkinan dapat menarik minat kontributor dalam jumlah yang cukup agar skema ini dapat berjalan baik dalam hal jumlah. Kendati demikian, kontributor yang tersebar luas, variasi penghasilan, variasi kapasitas untuk membayar dan hal-hal administrasi menyarankan bahwa solusinya tidaklah sederhana untuk dikembangkan atau dipertahankan. Perluasan jaminan sosial ke sektor informal layak dilakukan apabila ada yang dapat mengembangkan skema yang layak, yaitu bersifat fleksibel, terjangkau, berkesinambungan, dipasarkan dengan baik dan mudah dimengerti.

Gerakan Sistem Jaminan Sosial Nasional (Gerakan SJSN) yang efektif berlaku bulan Oktober 2004 merupakan tonggak keberhasilan utama dalam pengembangan sistem jaminan sosial di Indonesia. Peraturan telah mengantisipasi pencapaian cakupan universal secara bertahap. Namun, peraturan memberikan kerangka dasar untuk pengembangan jaminan dan bantuan sosial. Peraturan terperinci akan dijabarkan dalam Peraturan Presiden mendatang. Perlu ada rencana pelaksanaan tengah semester (panduan) yang mendefinisikan proses pelaksanaan Gerakan SJSN secara bertahap dan rencana tindakan strategis yang menjelaskan tujuan yang akan dicapai dalam setiap tahap pelaksanaan.

Cakupan populasi jaminan sosial yang terbatas merupakan kelemahan utama dalam mencapai Pekerja yang layak. Perluasan cakupan perlindungan sosial diberi prioritas yang tinggi dalam Rencana Aksi Tripartit untuk Pekerja yang Layak di Indonesia 2002-2005. Proses perluasannya bersifat lamban dan rumit serta tidak dapat dicapai tanpa komitmen yang kuat dari para mitra utama. Guna memberikan kontribusi terhadap tujuan nasional dari cakupan jaminan sosial universal, ILO siap memberikan bantuan teknis yang lebih mendalam sebagai tindak lanjut rekomendasi yang dijabarkan dalam laporan ini. Secara khusus, bantuan teknis akan disiapkan berdasarkan sumber daya finansial yang tersedia untuk membantu perumusan strategi yang efektif untuk pelaksanaan proyek yang diajukan dalam laporan ini.

# 1. Introduction

Although the Constitution of Indonesia recognizes that social security is a basic human right, only a small number of people in Indonesia have adequate social security. Achievement of the universal coverage of social security is one of the key elements in Indonesia's national strategy for poverty reduction and is a current issue in the on-going debate on the social security reform in Indonesia. Extending social security coverage to excluded population is also one of the priorities in the ILO's Decent Work agenda.

The purpose of this study is to provide a basis for the formulation of the policy to extend social security coverage to excluded population. In particular, we focus on workers in the informal economy where the lack of social security is largely concentrated.

In the context of globalization, there has been increasing informalization of employment especially in developing countries. Contrary to earlier anticipation that the formal employment sector would absorb most workers as a result of economic growth and development, the informal economy has been growing rapidly and this trend is likely to continue in the foreseeable future. Hence, there is an urgent need for the focused interventions in providing social security for workers in the informal economy.

The term “*informal economy*”<sup>1</sup> refers to all economic activities by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements. Workers in the informal economy include own-account workers in survival-type activities, such as street vendors, shoeshiners, garbage collectors and scrap-and rag-pickers; paid domestic workers employed by households; homeworkers and workers in sweatshops who are “disguised wage workers” in production chains; and the self-employed in micro-enterprises operating on their own or with contributing family workers or sometimes apprentices/employees.

Development of effective policy for the extension of social security coverage to the informal economy must be based on a better understanding of the target groups and the assessment of their social security needs and existing services. However, the informal economy by its nature is difficult to quantify and there is a limited availability of statistical data.

For the purpose of the study, two surveys have been conducted for workers in the informal economy in urban and rural areas. These surveys into the informal economy aimed at improving the understanding of what is a highly complex series of interrelationships where individual entrepreneurships override the normal legal constraints and the protective mechanisms of formal employment. The study attempted to confine the scope to the social security issues by supplementing the quantitative data available from statistics and other studies with a small-scale survey to improve the qualitative understanding of the social security needs of selected elements of this vast employment sector. The primary data collected in the surveys will serve as basis for the formulation of policy options and implementing strategy for extension of social security coverage.

The ILO has been assisting the Government of Indonesia in the development of social security for many years and, most recently, through the execution of a Netherlands-funded technical cooperation project, “*Restructuring of the Social Security System (INS/00/M04/NET)*”, implemented from 2001 to 2002. This project provided a wide range of recommendations relating to improvements in the structure, governance and administration of existing social security programmes with particular reference to the major social security scheme, Jamsostek, as well as the

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1 Although the term “informal sector” has gained wide currency since its popularization by the ILO in the 1970s, more recently the ILO perceives this term inadequate because the workers and the enterprises in question do not fall within any one “sector” in the sense of a specific industry group or economic activity, and proposes to use an alternative term “informal economy” to encompass the expanding and increasingly diverse group of workers and enterprises operating informally in both rural and urban areas.

extension of social security coverage to a larger percentage of the population including the informal economy. The main findings and recommendations of the project have been documented in 10 related technical reports and summarised in the ILO publication “*Social Security and Coverage for All (2002)*”. This study owes much to these preceding works.

This remainder of this report has been organised as follows. Chapter 2 compares the major characteristics of formal and informal employment in Indonesia and further analyses the informal sector by urban and rural areas. Chapter 3 looks into the issues of poverty and decentralisation in Indonesia. These factors need to be taken into account in the design and implementation of social security mechanisms for the informal economy. Chapter 4 presents the overview of the current social security systems with particular reference to the population coverage. Chapter 5 summarises the results of the urban informal economy survey conducted in October 2002 in the framework of the Restructuring project. Chapter 6 presents the results of the rural economy survey conducted in December 2003. These two surveys will complement each other and provide more comprehensive information on the social security needs of the informal economy workers. Based on the analyses and the survey results, Chapter 7 examines the feasibility of extension of coverage to the informal economy, develops policy options and proposes the follow-up actions. Four appendices supplement the report with detailed tables of the urban and rural informal surveys and the questionnaires both in English and Bahasa Indonesia.

This report was prepared by Mr. John Angelini, an international expert on Social Security and Mr. Kenichi Hirose, Social Protection Specialist of ILO Subregional Office for Southeast Asia and the Pacific. The authors made a detailed analysis of the data obtained from research of previous studies into the informal economy, local data obtained from recent statistics, the survey results and from previous studies from the ILO project. This analysis was conducted in conjunction with counterpart staff and included personal visits, observation and discussion with selected informal economy workers. The comments and suggestions of staff and stakeholder have been taken into account in the analysis and the subsequent recommendations.

The authors were supported by the Director of ILO Office in Jakarta, Mr. Alan Boulton and his staff in particular Mr. Peter Rademaker, Deputy Director, and Ms. Sioe Lan Djoa, Senoir Programme Officer. The authors would also like to thank Mr Bambang Purwoko, Dr. Carunia Firdausy National consultants and the research assistants from the universities for their valuable assistance and sincere appreciation is also extended to all of the anonymous workers in the informal economy who participated in the voluntary surveys.



## 2. The Employment Sectors in Indonesia

### 2.1. Formal and informal employment in national statistics

The National Statistics Agency (BPS *Badan Pusat Statistik*) collects data from all sources and produces a variety of statistics about population, economic and social affairs. In its labour force statistics, BPS provides a breakdown of the formal and informal economies and provides data about employment, education and incomes in national and provincial views with potential to obtain some data at district level. A statistical analysis of the poor and near poor is also made by assessing average household expenditure on a range of about seven items to determine a poverty line. The data are drawn from the following statistical surveys:

- The **Population Census** is a national survey of all inhabitants and data is collected on 15 demographic, social and economic variables at both individual and household levels. The census is conducted every 10 years and was last conducted in 2000.
- The **National Socio-economic Survey** (SUSENAS) is a sampling survey conducted in two parts:
  - The *Core SUSENAS* is conducted in February each year and collects information on the characteristics of 200,000 households and about 800,000 individuals, and
  - The *Consumption Module SUSENAS* is conducted every three years on a random sample of 65,000 households taken as a subset of the households in the core SUSENAS. The data collected is very detailed household consumption expenditure on a range of items.
- The **Village Characteristics Survey** (PODES) is a complete enumeration of all of the villages in Indonesia and is conducted every three years prior to an agricultural, economic or population census. The information collected is about village characteristics such as size, area, population infrastructure, industry etc and is obtained from official village documents and interviews with village officials. The PODES conducted in 2000 counted 68,783 villages.
- Other surveys include the National Labour Market survey (SAKERNAS) conducted annually in August (68,608 households) and the Inter Census Population survey (SEPAS). BPS also conducts regular surveys of large and medium-sized establishments in selected sectors of the economy dealing with industrial production (INDKATOR INDUSTRI) and wages (SURVEI UPAH) but the informal economy is not covered. Only since 1998 has BPS attempted an annual sample survey of 'enterprises without legal entity' and some of this data are questionable. The labour force data is collected on the working age population over 15 years of age, therefore child and youth labour data is not included.

At the statistical level, the informal economy can be defined in terms of type of enterprises (production units) and type of employment status. As in many countries, BPS adopts an enterprise-based approach. The basis for the classification of formal (sector) enterprises is the *Legal Entity*, described as "Legal status of a company/unit of economic activity based on the legal document issued by a solicitor when the company was established. Legal status could take the form of PN/Perum/PT/Persero/Perusahaan Daerah (PD), PT/NV, CV, Firma, Koperasi and Yayasan (Foundation)"<sup>2</sup>. The 1996 Economic Census also considers companies having other types of the following legal documents as having legal status: SIPD (for quarrying of C class), Diparda, Governor/Bupati/Mayor permit (for restaurant/food stall, accommodation services/hotel, recreation services, entertainment and cultural services, Ritsblad/Staatblad and Governor/Bupati Decision (for financial services). Definitions and descriptions of these various legal entities are contained in the glossary.

By this definition, the formal sector enterprises are comprised of employers and workers that are registered with various authorities and are legal entities. The urban informal economy comprises those individuals and employers who have not been accorded legal status but who have commenced their operations often without the sanction or knowledge of the local authorities (e.g. cottage workers). Many enterprises in the informal economy may be registered with local authorities and finance regulators such as the Ministry of Finance or the taxation office but have not been accorded legal status under the definition of legal entity by the Ministry of Manpower and therefore not subject to labour laws and the requirement to contribute to the employees' social security scheme (Jamsostek). They are however included in the formal workforce statistics produced by BPS.

The key definition of informal (sector) enterprises in Indonesia is the same as in about 21 other countries, that of unregistered enterprises or *enterprises without legal status*<sup>3</sup>. Table 2.1 indicates the industrial composition of the informal sector enterprises in Indonesia by BPS in its statistical tables titled *Small Scale and Micro Establishments*.

**Table 2.1. Industry groupings in the informal sector**

Urban Informal Sector	Agricultural Sector
Mining & Quarrying, Electricity, Gas, Water Supply & Construction	Animal Husbandry
Manufacturing Industry	Food Crops
Wholesale & Retail Trade, Restaurants & Accommodation Services	Horticulture
Transport, Storage & Communication	Fishing
Financial Institution, Real Estate, Rental & Other Services	Forestry

It should be noted that since an enterprise-based definition would not be able to capture all dimensions of informal employment an alternative approach is suggested that classifies workers in formal and informal economies by their status of employment and other job-related characteristics (by referring to the International Classification of Status in Employment or ICSE-93). Currently, however, there is no internationally agreed set of categories of employment status referring to informal employment. The following Table 2.2 provides the definitions of the BPS labour force employment categories and their relevance to the formal and informal economies in Indonesia, and the following Table 2.3 summarises major characteristics of formal and informal economy.

**Table 2.2. Employment status for formal and informal economy**

No	Employment Status	Formal Economy	Informal Economy
1	<b>Own-account workers</b> are self employed workers either working alone or with partners and have engaged no employees.		Unless registered with Ministry of Manpower they are treated as informal
2	<b>Self employed</b> and assisted by family members or temporary workers.		Typical small home based enterprise
3	<b>Employer</b> with permanent paid workers	Formal if registered i.e. a legal entity	Informal if unregistered
4	<b>Employee</b> is defined as someone who works for cash or kind under a stable contract for an employer or institution.	Typical formal economy workers	
5	<b>Casual employee in agriculture</b> who works at his or her own risk without family members or other employees		Typical rural informal workers

2 Definition from - BPS 1996 *Economic Census, Profile of Establishments With Legal Entity*

3 According to the criteria adopted by the 15th International Conference of Labour Statisticians in 1993, informal (sector) enterprises are defined as private unincorporated enterprises below a certain size in terms of employment (usually five to ten workers) and/or not registered under commercial or business law.

6	<b>Casual employee not in agriculture</b> who works at his or her own risk without family members or other employees		Typical urban informal workers
7	<b>Unpaid workers</b> are those who work without pay in an enterprise operated by family members, relatives or neighbours		Informal workers, unprotected and unregistered.

**Table 2.3. Comparison between formal and informal economy**

FORMAL ECONOMY	INFORMAL ECONOMY
<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Employee of large firms and in many cases multinational firms</li> <li>• Covered by labour laws and regulations</li> <li>• Generally capital intensive enterprises with relatively few workers, mechanised, often use expensive raw materials</li> <li>• A guaranteed standard in the final product</li> <li>• Employment conditions mostly regular hours &amp; low wages</li> <li>• Fixed prices</li> <li>• Employment mostly in factories</li> <li>• Government and multinationals help to establish and maintain operations</li> <li>• Legal entities registered with appropriate government and local agencies</li> <li>• Employs predominantly males</li> </ul> <p><b>Type of employment</b></p> <ul style="list-style-type: none"> <li>• Typically manufacturing sector employment, both local and in multinational industries, mining, oil</li> <li>• Government employment such as the police, military and civil service</li> <li>• Service sector in offices, hotels, sales and administration</li> <li>• Self-employed professionals in medicine, law, accounting</li> </ul> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Generally have access to unions and staff associations</li> <li>• Less susceptible to corruption and standover tactics</li> <li>• Uses some skilled and many unskilled workers</li> <li>• Access to compulsory social security</li> <li>• Provides permanent jobs and regular wages</li> <li>• Produces goods (like cars and food) for the emerging middle classes so that profits may remain within the country</li> <li>• Waste materials provide raw materials for the informal economy</li> </ul>	<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Self-employed</li> <li>• Small scale/family enterprise</li> <li>• Little capital involved</li> <li>• Labour intensive with use of very few tools.</li> <li>• Using cheap or recycled waste materials</li> <li>• Often a low standard in quality of goods</li> <li>• Irregular hours and uncertain wages</li> <li>• Prices rarely fixed and so negotiable (bartering)</li> <li>• Jobs often done in the home (cottage industry) or on the streets</li> <li>• Little or no government assistance</li> <li>• Often outside the law (illegal)</li> <li>• Employ mostly females and children</li> </ul> <p><b>Type of employment</b></p> <ul style="list-style-type: none"> <li>• Distributive-street peddlers and small stalls</li> <li>• Local transport</li> <li>• Small scale manufacturing such as wood, metals, textiles, carving etc</li> <li>• Services, selling food, clothes and fruit</li> <li>• Small scale industries such as food processing, tailoring and furniture repairs etc</li> </ul> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Employs many unskilled workers</li> <li>• Jobs may provide some training and skills which might lead to better jobs in the future</li> <li>• Any profit will be used within the city or remitted to the rural areas</li> <li>• Uses local and waste materials—the products will be for local use by informal economy, the lower paid people</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• Often not protected by local labour laws and regulations</li> <li>• Little access to loans or grants</li> <li>• Generally no access to unions or associations</li> <li>• Subject to corruption and coercion by unscrupulous authorities and individuals</li> </ul>

## 2.2. Overview of employment by sector in Indonesia

Table 2.4 shows the distribution of the employed population by sector and industry. The table demonstrates the relative and absolute importance of the formal and informal economies in the employment. The formal economy comprises about 1.8 million employers (including the self-employed) and a workforce of about 26 million, representing 30% of the total national employed population of 91 million. The informal economy holds over 55 million workers or 63 per cent of the total. Agriculture dominates the national scene with 40 million workers, of whom 83 per cent are attached to the informal economy. The formal economy contains almost 26 million (or 53 per cent) of the 49 million non-agricultural work force, while the informal economy holds almost 23 million (47 per cent). The formal economy dominates the sectors of mining, construction and utilities (82 per cent) and finance and government (83 per cent). The informal economy dominates the employment sectors of agriculture (83 per cent), trade (80 per cent) and transport (62 per cent) and has significant impact on manufacturing (32 per cent), mining (17 per cent) and finance and services (18 per cent).

**Table 2.4. Employed population by sector and industry, 2002**

Main Industry	Formal Sector Enterprises with legal entity			Informal Sector Enterprises without legal entity			Employees > 15 who worked (employers not included)	Employers <sup>4</sup> (Formal / Informal status unknown)
	Workers	% of Industry	% of Employees	Workers <sup>5</sup>	% of Industry	% of Employees		
Agriculture, Forestry, Hunting & Fishery <sup>6</sup> Non Agricultural Sector <sup>8</sup>	6,842,476	17.24% <sup>7</sup>	7.7%	32,838,166	82.76%	36.95%	39,680,642	952,629
Mining & Quarrying; Electricity Gas & Water Supply; Construction	3,956,708	82.37%	4.45%	846,642	17.63%	0.95%	4,803,350	280,645
Manufacturing Industry	7,941,301	68.06%	8.94%	3,727,172	31.94%	4.19%	11,668,473	441,524
Wholesale & Retail Trade; Restaurants & Accommodation Services	3,426,703	20.05%	3.86%	13,665,470	79.95%	15.38%	17,092,173	703,411
Transport, Storage & Communication	1,683,169	37.72%	1.89%	2,778,627	62.28%	3.13%	4,461,796	210,788
Financial; Real Estate, Rental Services & Other Services (include govt.)	9,272,961	83.13%	10.44%	1,881,743	16.87%	2.12%	11,154,704	197,229
<b>Total Non Agricultural Sector</b>	<b>26,280,842</b>	<b>53.44%</b>	<b>29.58%</b>	<b>22,899,654</b>	<b>46.56%</b>	<b>25.77%</b>	<b>49,180,496</b>	<b>1,833,597</b>
<b>TOTAL (all industries)</b>	<b>33,123,318</b>		<b>37.28%</b>	<b>55,737,820</b>		<b>62.72%</b>	<b>88,861,138</b>	<b>2,786,226</b>
<b>TOTAL EMPLOYED POPULATION = 91,647,364</b>								

Source: BPS, Statistics Yearbook 2002

4 Employers are not able to be separated into formal or informal employment categories. Total population who worked excludes employers.

5 Informal economy workers have been derived by: Total population who worked – Employers – Formal workers.

6 These Agricultural sector figures for formal workers have been derived from BPS Catalogue 1401, Indonesia statistical yearbook 2002 and Labourers/Employees situation in Indonesia August 2002.

7 This derived figure correlates with other estimates which place the % of formal agricultural workers at about 15 -16%. Agricultural workers statistics are at best, estimates due to difficulty in census.

8 The total employment figures are from the BPS catalogue 1401, 2002.

### 2.3. The urban informal economy

The formal employment sector represents the more administratively visible part of the economy and society, namely the public and private corporate sector and comprises enterprises and the professional self-employed that have been accorded legal status and are regarded as legal entities. This legal status is accorded through registration by professional associations, Ministry of Manpower and the Ministry of Trade and Industry et al. As legal entities the enterprises are subject to labour laws administered by Ministry of Manpower and to the ILO conventions that have been ratified by Indonesia.

In Indonesia, BPS usually separates the *urban informal economy* from the other traditional element in the informal economy, namely the agricultural sector. It was believed that growth in Indonesia's industrial sector would trickle down to the traditional sectors of the economy. Instead, urban industrialisation has tended to widen structural inequalities between the handful of leading sectors and the rest of the economy. The informal economy plays a crucial role to mitigate structural inequalities by absorbing workers who would otherwise be without work or income in the formal employment. Continuing rural-urban migration and the economic recession in the early 1980's and again in the late 1990's reaffirmed the importance of the informal economy in terms of work and income generation.

While the formal economy in Indonesia tends to produce jobless growth, the informal economy continues to absorb the bulk of the estimated 2.4 million job seekers who annually enter the labour market. These jobs are created with little capital and without any subsidy from the State. These informal enterprises often rely on indigenous resources, including re-cycled materials, and produce predominantly for local markets. The entrepreneurs mobilise their own financial resources via family networks, savings clubs and rotating credit systems. Accommodation for newcomers is provided and training given on the job. Many workers in the informal economy also maintain strong ties with their places of origin and often foster plans to return. Urban to rural remittances, particularly in Java, occur on a very large scale and for many village households this capital flow has even become the major source of household income.

In general, there is a tendency to associate such informal economy activities with poverty. While it is true that many workers in this sector are poor, it cannot be assumed that earnings are necessarily lower than formal sector wages. Anecdotal studies suggest that incomes are not always lower than in the formal economy and the case study of Ojek drivers conducted as part of the *ILO Restructuring Project* confirmed that they can earn from 2 to 3 times the average national wage. The findings from the small-scale survey of urban informal economy workers conducted as part of this study showed that 58% of those surveyed earned less than the average of Rp. 400,000 per month and that 17% earned over Rp. 800,000 which is twice the national monthly average.

Apart from generating work and income for a large proportion of the urban population, with 60% of total employment, the informal economy is also a major supplier and distributor of basic services and needs such as water, food, clothes and shelter. In urban areas the self-built housing sector meets a substantial amount of housing needs. Without the informal economy the majority of the urban population would have difficulty surviving in the city.

### 2.4. The rural informal economy

Indonesia is a predominantly agricultural economy which utilizes 70% of the land area and employs 44.3% of the active labour force. If the non-agricultural workers in rural areas are included, the rural sector supports about 56% of the active labour force. The rural economy comprises agriculture, forestry and fishing and is an important source of Indonesia's export earnings. In the subsistence part of the rural economy most of the wages are in the form of crop shares and a large portion of the food crops are for local consumption. Estates represent the largest area of land usage and the major estates are found in Sumatra and Kalimantan. Palm oil and rubber are the main

estate crops. Although Indonesia is the world's third largest producer of rice, production has been declining since self sufficiency was briefly achieved in 1985. Indonesia is now one of the world's largest importers of rice.

In contrast to its workforce share, the GDP from agriculture has dropped from 40-50% in the 1970's to about 14.8% prior to the economic crisis in 1997. After the crisis the share of GDP from agriculture increased to 19.5% but in 2002 this had fallen back to 17.5%.

Following the economic crisis in 1997 the economy contracted 13.7% in 1998. Despite this reduction in the overall economy the agricultural economy remained relatively stable. The rural economy acted as a safety valve by absorbing retrenched labour as well as the new entrants in the workforce unable to find jobs in urban areas. The collapse in the Rupiah exchange rate against the USD favoured agricultural exports which increased in value after the economic crisis.

Household income disparity between urban and rural households has continued to diverge and the relativity has increased from 3.66 : 1 in 1985 to 5.65 : 1 in 1999. During this period urban household incomes increased ten fold but rural household incomes only increased by a factor of 6.6.

Figure 2.1. Land utilization

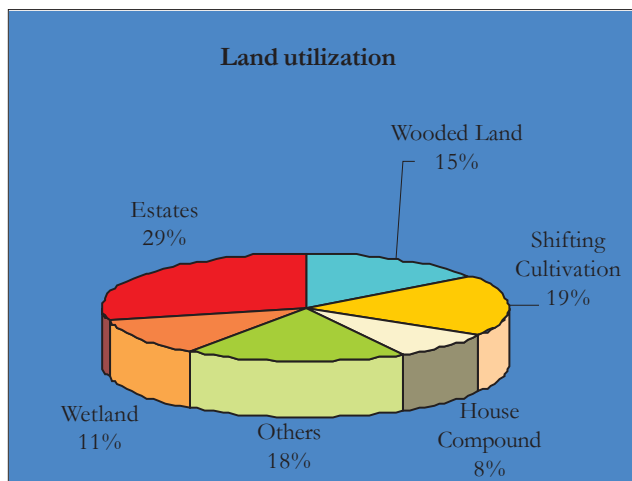
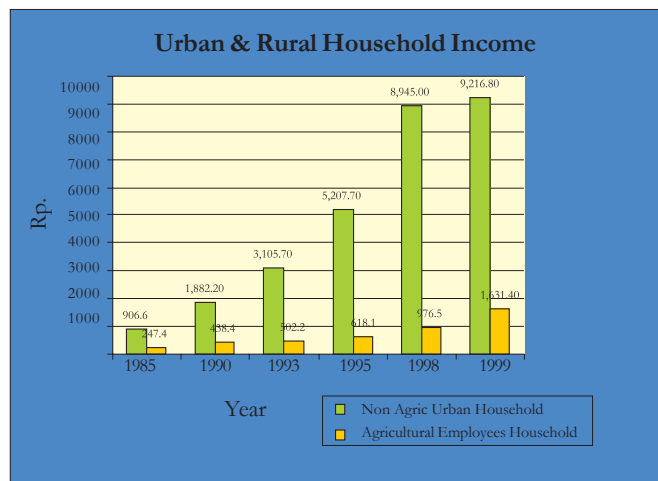


Figure 2.2. Urban and rural household income,



During this period poverty increased from around 11% to 23.7% in 1999 and urban areas experienced higher increases than in rural areas but with improved economic circumstances, the relativities have gradually been restored.

Table 2.5. Population, poverty and labour force, 1999-2002

Year	Poverty (million)				Total Population	Workers (million)			Labour Force
	Rural	Urban	Total	%		Formal	Informal	Total <sup>9</sup>	
1999	32.332	15.642	47.974	23.65%	202.775	26.253	62.568	88.821	93.125
2000	26.431	12.312	38.743	18.82%	205.797	29.498	60.612	90.110	95.650
2001	29.267	8.599	37.867	18.18%	208.246	32.651	58.803	91.454	98,812
2002	25.075	13.318	38.394	18.09%	212.202	33.123	58.523	91.647	100.79

<sup>9</sup> Total includes active workforce, the Labour Force includes the unemployed.

## 2.5. Recent trends in employment by sector

Table 2.6 presents the recent trends in employment by status of employment. It should be noted that the method of data collation was changed in 2001 in accordance with ILO recommendations so that elements of the informal economy were removed from the self-employed and regular employee categories. The labour force statistics now provide a better approximation of the formal and informal economies although the data is still far from perfect. There are undoubtedly some informal workers among the self-employed and the figures are incomplete because the unemployed cannot be apportioned and nor can the 45 million people of working age that are not in the workforce for a variety of reasons. The employers are usually integrated with the formal economy because the data counts employers with more than one employee which under current conditions would deem most of them to have a monthly payroll of greater than Rp. 1 million and therefore required to register with the ministry of Labour and contribute to Jamsostek.

**Table 2.6. Population aged 15 years and over by employment status, 1997-2003**

No. Main Employment Status	1997	1998	1999	2000*)	2001	2002	2003
1. Self Employed	19,864,774	20,523,338	21,707,778	19,501,330	17,451,704	17,632,909	16,654,888
2. Self Employed Assisted by Family Member/Temp. Help	17,982,745	19,690,059	18,914,502	20,720,366	20,329,073	22,019,393	22,033,558
3. Employer with Permanent Workers	1,466,471	1,525,625	2,552,803	2,032,527	2,788,878	2,786,226	2,707,833
4. Employee	30,277,787	28,805,421	29,383,548	29,498,039	26,579,000	25,049,793	23,829,112
5. Casual employee in agriculture	-	-	-	-	3,633,126	4,513,600	4,555,248
6. Casual employee not in agriculture	-	-	-	-	2,439,035	3,559,927	3,258,550
7. Unpaid Worker	15,813,752	17,128,006	16,258,228	18,085,468	17,586,601	16,085,318	17,745,728
<b>Total</b>	<b>85,405,529</b>	<b>87,672,449</b>	<b>88,816,859</b>	<b>89,837,730</b>	<b>90,807,417</b>	<b>91,647,166</b>	<b>90,786,920</b>

\*) Excludes Maluku Province.

I The employment status was changed in 2001 from 5 categories to seven, which now more closely reflects formal and informal economy characteristics.

Source:- National Labour Force Survey 1997-2003.

Table 2.7 and Figure 2.3 below show the trends of employment by formal/informal and rural/urban from 1999 to 2003. Although these data provide a very coarse division between informal and formal workers, they are valuable to some extent in identifying the trends and differentials between the formal and informal employment sectors.

**Table 2.7. Trends of employment by sector, 1999-2003**

Employment Category	1999 (000)	2000 (000)	2001 (000)	2002 (000)	2003 (000)
Employers	2.552	2.043	2.788	2.786	2.707
<b>Formal enterprises</b>					
Urban Formal Employees	16.486	17.655	17.928	17.459	16.803
Rural Formal Employees	12.896	12.014	8.650	7.590	7.025
Sub total formal	31.934	31.712	29.366	27.835	26.535
<b>Informal enterprises</b>					
Urban Informal Workers	14.791	15.518	16.825	18.191	17.728
Rural Informal Workers	42.089	42.592	44.610	45.614	46.515
Sub total informal	56.88	58.11	61.435	63.805	64.243
Total Employment	88.816	89.822	90.807	91.647	90.784
Unemployed	6.030	5.810	8.000	9.132	9.531
<b>LABOUR FORCE</b>	<b>94.846</b>	<b>95.632</b>	<b>98.807</b>	<b>100.779</b>	<b>100.335</b>

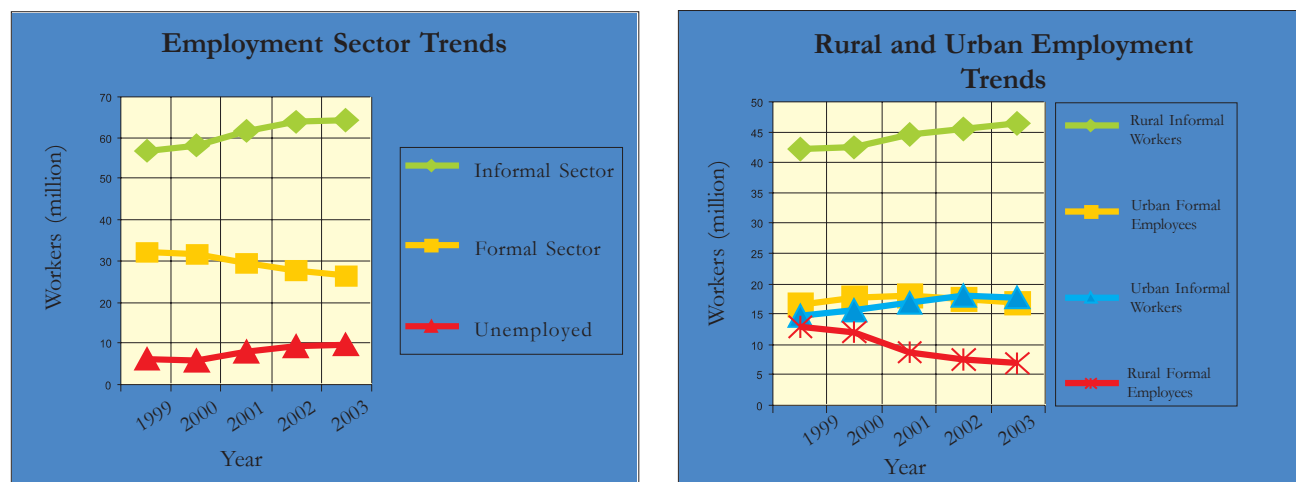
Source. Labour Force Situation in Indonesia August 1999, 2000, 2001, 2002 and 2003. Tables 13.3, 13.4 and 13.5

Definitions – Have been taken from BPS Labour force Statistics.

Formal sector – (Regular Employees)

Informal sector – (Own Account worker) + (Self Employed Assisted by Family Member/Temporary employee) + (Unpaid worker) + (Casual Employee in Agriculture) + (Casual Employee Not in Agriculture).

Figure 2.3. Trends of employment by sector, 1999-2003



We consider only the period 2001 to 2003 because of the change in data collation in 2001. The general trends suggest that employment in the *informal* economy has increased by 2.8 million workers over this three year period and the *formal* workforce has decreased by 2.8 million over the same period. The increase in *rural informal* employment was about 1.9 million of the total or about 67.8 percent whilst the *urban informal* economy increased by about 0.9 million or 32.2 percent of the total increase. The share of the *informal* economy in the total employed workforce has increased from 67.7 percent in 1999 to 70.8 percent in 2003 and the share of rural employment has also reduced from 66.8 percent of the employed workforce to 61 percent over the same period.

These observations are explained by the general trends of (i) rural to urban migration, (ii) most of the employment is created in rural areas (60 percent), (iii) loss of formal jobs to the informal jobs. Consequently, the informal economy continues to absorb most of the 2.4 million new jobs annually.

Whilst rural areas continue to employ more people, there are special needs for social protection for workers in the urban informal economy with the absence of extended families, limited opportunities to grow extra food, higher living costs and less capacity for informal social safety nets to support disadvantaged families.

## 2.6. Government stakeholders in the informal economy

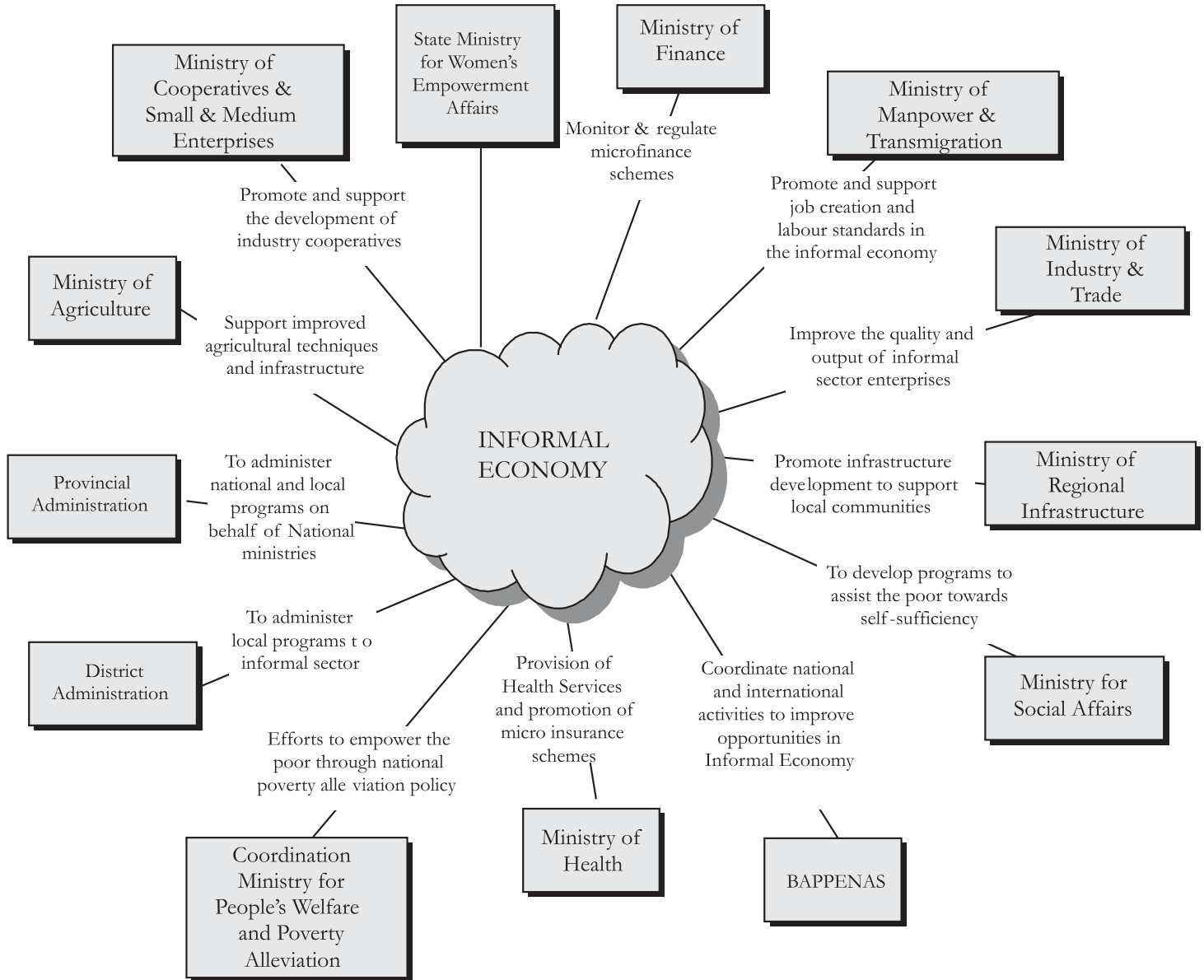
The Government of Indonesia has long recognised the significance of the informal economy and its importance to the economy, employment and the self-support of a considerable proportion of the population. There are a number of government agencies that have programmes directed at the informal economy and these programmes range from policy development to field contact with workers. Figure 2.4 illustrates the number of ministries and agencies that relate to the informal economy. It should be noted that this represents the view of the national ministries and most of these have provincial and local elements that are involved with the provincial government programmes that complement the national programmes. The role of these agencies is explained in detail in the ILO Publication *Social Protection for All, 2002*.

The schematic diagram reinforces the view that in its effort to maximise the opportunities for the informal economy workers the government has created a complex network of interactions with the informal economy by a large number of officials. Whilst it is important for ministries to have policies for the informal economy it is difficult



to see how so many interactions can assist the informal economy. Without effective coordination between these government organisations, it would result in duplication of effort, dispersion of resources and funding and confusion amongst workers.

Figure 2.4. Government stakeholders in the informal economy





## 3. Issues in Poverty and Decentralisation

This chapter summarises the issues in poverty and decentralisation which are inevitably relevant in order to formulate policies of the extension of social security coverage to the informal economy workers.

### 3.1. Poverty in Indonesia

BPS estimated that in the year 2000, the poor represented about 19.1 per cent of the total population of 206 million. Of these, about 26.4 million (68.2 %) lived in rural areas, while the remaining 12.3 million (31.8 %) lived in urban areas. In 2002 BPS estimated that the number of the poor was about 18.2 per cent of the total population. This indicates that one in five Indonesians is deprived of basic social services. This figure is much higher than that in the year 1996 when poverty was about 11.2 per cent of the population.

Using the poverty line per capita daily income of one US dollar, the World Bank estimated the number of the poor in the year 2000 to be about 54 per cent of the total population, more than double the estimate made by BPS. Though there are varying estimates of the impact of the economic crisis on the incidence of poverty, there is no doubt that absolute poverty has increased significantly and that economic distress was widespread among a large number of economically vulnerable people.

**Table 3.1. Poverty line and incidence of poverty, 1996-2002**

Year	Poverty Line (Rp.)		Population Below Poverty Line %			People Below Poverty Line (million)		
	Urban	Rural	Urban	Rural	Total	Urban	Rural	Total
1996	42,032	31,366	13.6%	19.9%	17.7%	9.6	24.9	34.5
1998	96,959	72,780	21.9%	25.7%	24.2%	17.6	31.9	49.5
1999	89,845	69,420	15.1%	20.2%	18.2%	12.4	25.1	37.5
2000	91,632	73,648	14.6%	22.4%	19.1%	12.3	26.4	38.7
2001	100,011	80,382	9.8%	24.8%	18.4%	8.6	29.3	37.9
2002	130,499	96,512	14.5%	21.1%	18.2%	13.3	25.1	38.4

**Table 3.2. Incidence of poverty by occupation, 1996 and 1999**

Employment Sector	February 1996		February 1999	
	Poverty by employment sector (%)	Contribution to total poor(%)	Poverty by employment sector (%)	Contribution to total poor(%)
Agriculture	26.29	68.54	39.69	58.38
Trade, Hotel & Restaurant	7.96	8.10	17.63	11.13
Manufacturing industry	10.69	5.71	22.92	7.71
Civil, social & private services	5.73	5.72	13.13	7.36
Transport and communication	8.85	3.32	24.02	5.58
Construction	14.04	5.42	28.97	5.52
Receiving/transfer	6.58	1.86	15.57	2.65
Mining and Quarrying	15.34	1.01	29.81	1.00
Others	13.29	0.10	32.00	0.27
Finance, insurance and Leasing	1.24	0.06	5.23	0.23
Electricity, Gas, Water	6.10	0.16	14.48	0.17
<b>TOTAL</b>		<b>100</b>		<b>100</b>

Source: BPS (2000)

From Tables 3.1 and 3.2, it is evident that poverty is highest in rural areas and is about double the rate of the urban areas. Agriculture is the industry that has most of the poor workers and accounts for almost 60% of the total poor. Given that the income poverty line is much less in the rural areas it is unlikely that rural workers would have capacity to contribute a meaningful premium to a social insurance scheme.

### 3.2. Informal social safety nets in Indonesia

In Indonesia informal social safety nets are called “local wisdom.” The term covers a range of community initiatives to share the burden of risks and provision of care amongst community members. Membership in these arrangements is voluntary, and contribution levels are based on consensus. Benefits are normally limited to arrangements to share the cost or burden of providing for the risk covered.

Community initiatives or local wisdom vary in form according to local tradition, local custom, and religion. Initiatives from community members aim to help people deal with situations such as sickness, death, poverty and extreme poverty. They also cover voluntary contributions to the partial cost of marriages amongst extended family and neighbourhood members.

Other community initiatives include practices such as farmers storing a portion of their harvest in a local community barn. This produce can then be borrowed by community members who are short of food, and repaid at harvest time. This can be regarded as analogous to a form of micro-insurance. Similar practices of setting aside a portion of produce or revenue to meet needs of members facing difficulties have been noted amongst groups of traditional fishermen, and even urban Becak drivers.

Another common practice in both villages and urban areas is for households to set aside a portion of the rice they cook each day, and use this as a contribution to feeding community members who are poor or very poor. These are charitable contributions rather than micro-insurance.

Community initiatives also take the form of collections taken up to assist community members who are the victims of disasters such as floods, fires, or earthquakes. Contributions collected are both in the form of cash and of donations in kind such as rice, other food, and clothing.

The Zakat is a form of obligatory charity and consists one of the five pillars of Islam. All Muslims are expected to contribute a certain proportion of their income (at least 2.5%) to assist the poor. The Zakat can be used for direct contributions to the needy, including contributions to revolving funds for interest free loans. When received, these donations or contributions mean that contributors can deduct this from the portion they would normally pay to the Mosque, Yayasan (foundation), or BAZIS, the local government body which collects Zakat, Infaq, and Shodaqoh contributions from Moslems.

### 3.3. Regional autonomy

Regional autonomy or decentralisation was implemented on 1 January 2001 and provides for the devolution of national government Ministries and Departments to the provincial administrations and also increased the number of provinces from 26 to 30. By the end of 2004, the number of provinces in Indonesia has further increased to 33. The decentralization program has transferred approximately one quarter of total central government revenues to local and district governments and includes the functions, responsibility, staff, property and resources of the Ministries and Departments<sup>10</sup>. Utilities and public companies such as Jamsostek and five national Ministries<sup>11</sup> are exempted from the devolution process. Local governments were simultaneously given responsibility for public sector activities

10 In September 2004, the Parliament approved the revision of Law 22/1999 on regional governance and Law 25/1999 on fiscal balance between the central and local governments, which would further accelerates political and fiscal decentralization.

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

in health, education, and rural and urban infrastructure, along with authority over more than 2.3 million former central government staff. The process was adopted to generate local responsibility for local problems, and to encourage participation and regional relevance of public sector services and initiatives.

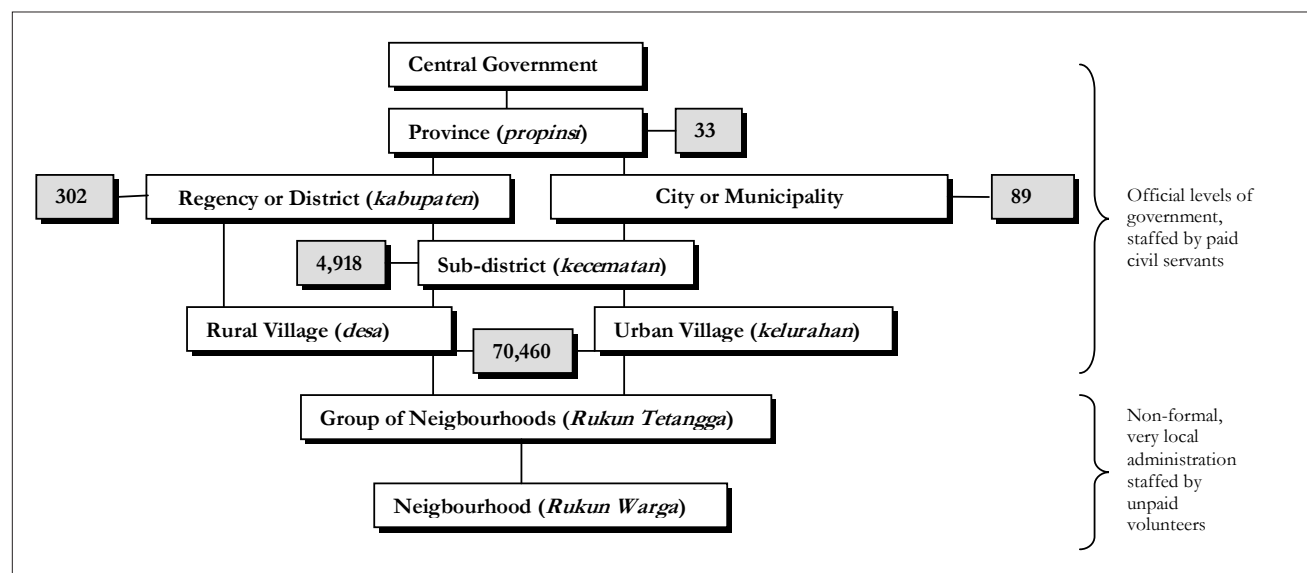
Set against a backdrop of several decades of increasing central government authority, decentralization is a radical move. Redistributing administrative power and public revenues offers the hope of moderating long-term political problems, including those that have led to intercommunity conflict. Despite widespread concerns, the formal process of decentralization has proceeded relatively smoothly and few service disruptions or staff problems have been reported and local governments appear to have made considerable efforts to meet their new responsibilities.

With the promise of more localised initiatives, commitment to local problems and solutions and financing of the poverty alleviation programs, it is believed that improved governance and support of localized programs for the poor are likely to be more sustainable than top down policies that have failed in the past due to poor targeting and policies not tailored for the particular area. While this offers significant benefits for small scale local systems it may tend to diminish the potential strengths of large scale schemes which benefit from their large number of contributors and bigger funds which improves social solidarity, provides better investment opportunities, more efficient to administer and benefits from the risk pooling effect.

The full impact of regional autonomy on the services to the poor has not yet been fully realized. However, major deficiencies remain in operating guidelines for local service providers, particularly in introducing minimum service standards and ensuring compliance and consistency between local regulations and national policies. Some national ministries have experienced difficulties maintaining their formal links with some provincial governments and the provision of information and policy dissemination have not always been uniform or regular. It appears that inequities between provinces have arisen due to the wide variation in provincial governance capacities, incomes, distribution of the poor, local funding and the success of poverty alleviation programs. In the absence of a minimum national standard for poverty alleviation programs these inequities are likely to remain.

To better illustrate the significant difficulties of administration of social protection programs in a decentralized environment the following diagram shows the administrative levels in Indonesia. Penetrating through the five vertical layers and horizontally across the country with consistent and equitable policy interpretation presents a major challenge in governance.

Figure 3.1. Government and administration levels in Indonesia





# 4. Social Security in Indonesia

## 4.1. Overview of the Indonesian social security system

There are four major social security schemes operating in Indonesia. These schemes provide workers in formal employment with social insurance cover for retirement, work accident, health, and death. The schemes are funded by contributions from employers, employees or combination of contributions from both.

### (i) JAMSOSTEK (PT Jaminan Sosial Tenaga Kerja)

Historically, the scheme of formal private sector workers, called Perum ASTEK, was first implemented in 1978 under the Government regulations Nos. 33 and 34 of 1977. The scheme provided old-age, death and work injury benefits. After the promulgation of the Employees' Social Security Act (Law No. 3 of 1992) and the Government regulation on the implementation of the Employees' Social Security Programme (No. 14 of 1993), the scheme was reformed to Jamsostek. From 1992, Jamsostek began providing health care benefits in addition to the above three benefits.

### (ii) TASPEN (PT Tabungan Asuransi Pensiun)

Taspen provides annuity pensions and endowment insurance benefits for government civil servants.

### (iii) ASKES (PT Asuransi Kesehatan Indonesia)

Askes is a health care scheme for government civil servants and retirees and their families. It also provides health care service on behalf of Asabri for members of the armed forces and their families.

### (iv) ASABRI (PT Asuransi Sosial Angkatan Bersenjata Republik Indonesia)

Asabri is a social insurance system designed to provide pension and endowment insurance benefits to Indonesian armed forces personnel.

Table 4.1 summarises the existing social security systems, their legal entities, contributions, benefits and management institutions. The present social security program has developed in a fragmented, uncoordinated way. However, this weakness has been recognised by the responsible ministries. Recently, the Presidential task force for social security reform has developed a Bill on the National Social Security System (SJSN) which has now been approved by the Parliament. Key principles of the Bill include the universal social security coverage and the establishment of a comprehensive and integrated social security system.

Responsibility for different elements of the social security system in Indonesia rests with various government departments and public agencies, as illustrated in Figure 4.1. 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 supervision of all public limited liability companies (Perseros like Jamsostek, Askes and Taspen). The Ministry of Finance is responsible for the supervision of social insurance schemes (Minister of Finance is the single shareholder in these companies) and private pension 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.

The current social security eligibility extends to employees of the civil service, military and private companies above a prescribed staff size and total payroll. The remainder of the population employed in smaller enterprises,

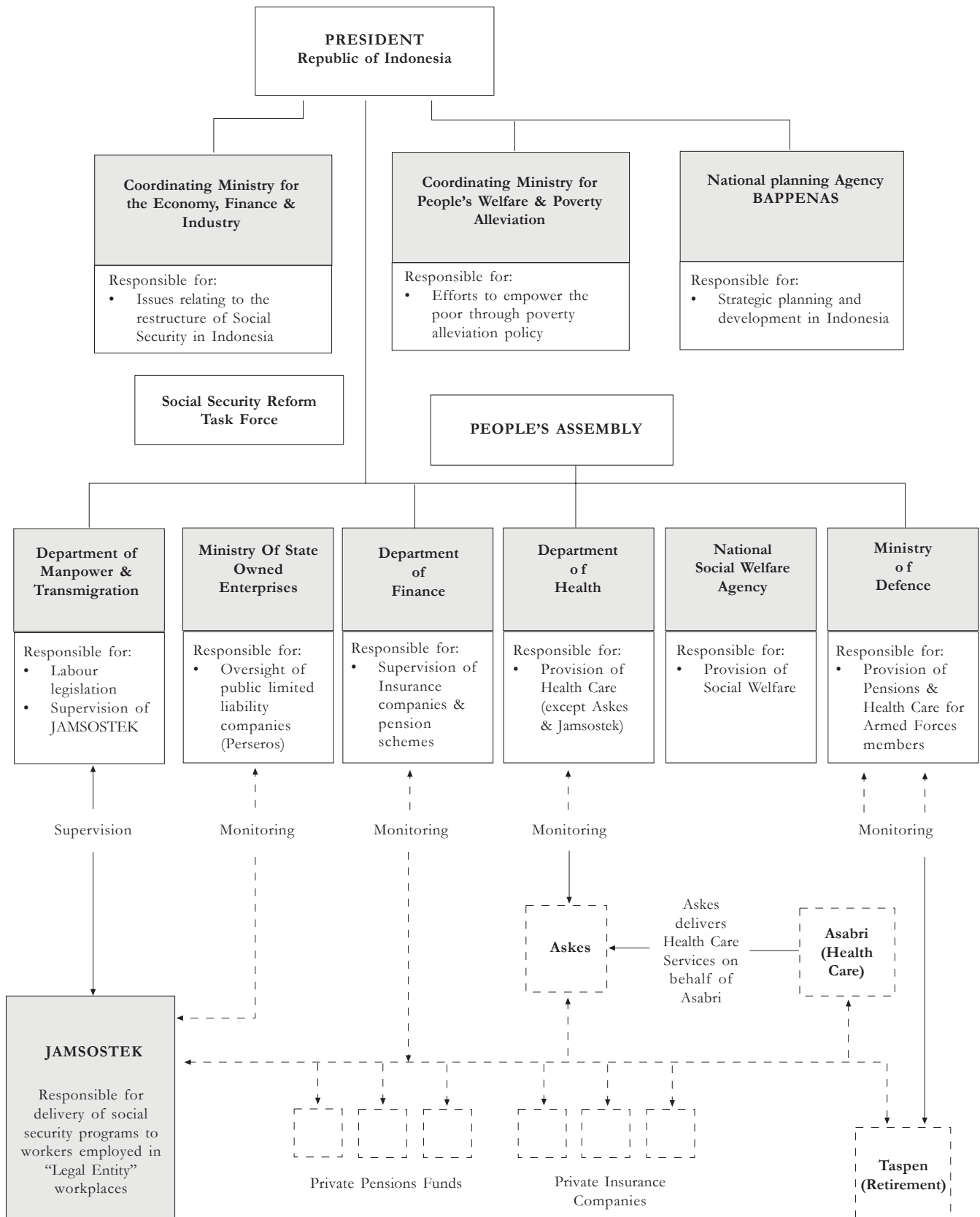
self-employed in the informal economy and the unemployed or aged, rely on private insurance or support from immediate and extended families and the local community. In the short term, it is likely that social security provisions may be extended to include more of the people employed in the formal sector and the self-employed. The extension of social security entitlements to the entire population will be a long-term goal.

**Table 4.1. Overview of the Indonesian social security system**

<b>OVERVIEW of INDONESIA SOCIAL SECURITY SYSTEM (Existing)</b>											
<b>SCHEME</b>		<b>GOVERNMENT EMPLOYEES SCHEMES</b> Law No. 8/1974 on government personnel policy						<b>PRIVATE EMPLOYEES SCHEME</b> Law No. 14/1969 on basic manpower regulations			
<b>LEGAL PROVISION</b>		<b>Armed Forces</b> Presidential Decree 8/1977			<b>Civil Servants</b> Presidential Decree 8/1977			<b>JAMSOSTEK</b> Law No. 3/1992			
<b>PROGRAM</b>		<b>Retirement</b> Govt Reg No. 67/1991	<b>Pension</b> Law No. 6/1966	<b>Health Care</b> MOD Decree	<b>Retirement</b> Govt Reg No. 25/1981	<b>Pension</b> Law No. 11/1969	<b>Health Care</b> Govt Reg No. 69/1991	<b>Work Accident</b>	<b>Old Age</b>	<b>Health Care</b>	<b>Death</b>
<b>FINANCIAL CONTRIBUTION</b>	Employee	3.25%	4.75%	2.00%	3.25%	4.75%	2.00%		2.00%		
	Govt/ Employer		State Budget			State Budget		0.24% - 1.74%	3.70%	3.0% - 6.0%	0.30%
<b>BENEFITS</b>		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
<b>INSTITUTIONS</b>		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



Figure 4.1. Social security responsibilities in Indonesia



## 4.2. Labour force and social security coverage

As shown in Table 4.2, social security is currently provided to a small portion of the population. Only about 16 million workers are covered by Taspen, Asabri and Jamsostek schemes out of a total labour force of about 101 million people (including job seekers). This means that only about 16% of workers are currently covered by formal social security schemes.

Health insurance by means of the public scheme (Askes) and private and micro schemes has more extensive coverage including family members. The estimated number of persons covered by the Jamsostek health care program is 2.7 million (of whom 1.5 million are workers). The coverage of Askes is estimated to be 13.8 million (plus 1.4 million 'commercial' members). Thus about 18 million people in Indonesia are covered by the formal health insurance schemes. Even adding those covered by private or employer-funded health insurance, a total of 30 million persons are estimated to have health insurance cover.

The formal employment sector represents about one-third of the labour force and this is the current capture group for Jamsostek membership. It can be seen that out of 33 million formal sector workers, only 9.3 million workers or 28% are actually contributing to Jamsostek.

The employer groups excluded under current Jamsostek legislation are those with less than 10 employees and a monthly gross payroll of less than Rp. 1 million. The legislation does not restrict compulsory contribution to Jamsostek to the enterprises with legal entities (formal sector) and if the legislation is interpreted as its original intent, then the potential capture group for Jamsostek could be as high as 70% of the labour force.

**Table 4.2. Labour force and social security statistics, 2002**

No.	Item	2002 (millions)
1	Population aged 15 years and over	148.729
2	Labour force (economically active)	100.779
3	Labour force participation rate	67.76%
4	Employed population	91.647
5	• <i>Employers</i>	<b>2.786</b>
6	• <i>Formal enterprises (for employers with legal entity)</i>	<b>33.123</b>
7	o Urban formal workers	22.022
8	- Urban casual workers	3.559
9	o Rural formal workers	13.101
10	- Regular employee in agriculture	2.238
11	- Casual employee in agriculture	4.513
12	- Rural employees not in agriculture	6.258
13	• <i>Informal enterprises (for employers without legal entity)</i>	<b>58.524</b>
14	o Urban informal workers	17.069
15	o Rural informal workers	41.454
16	Job seekers	9.132
17	Population below poverty line age 15 years and over	38.000
18	Jamsostek members (total data records held)	18.471
19	<i>Estimated Actual Jamsostek Individual Contributors</i>	9.383
20	Civil Service (Taspen, Asabri and police scheme contributors)	6.300
21	Taspen pensioners	1.780
22	Health care (including Jamsostek and Askes)	18.000
23	Health care (including Jamsostek, Askes and private schemes)	30.000
24	Active Taxpayers in 2003 (- includes 885,410 active companies)	2.134

### 4.3. Overview of Jamsostek program

This section summarises key structure of the main social security scheme, Jamsostek. Table 4.3 gives a brief overview of Jamsostek programs.

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

Old Age Benefit Scheme	Jaminan Hari Tua (JHT)
Employment Accident Benefit Scheme	Jaminan Kecelakaan Kerja (JKK)
Death Benefits Scheme	Jaminan Kematian (JKM)
Health Care Benefit Scheme	Jaminan Pemeliharaan Kesehatan (JPK)

There is a separate special programme for casual workers in the construction, called Jakon. This scheme provides work injury and death insurances only. Employers pay contributions which are determined by the local Jamsostek branch offices based on the value of the project.

#### 4.3.1. Legislative framework on the coverage

(i) *Act No. 3, Year 1992 on the Employees' Social Security.*

Article 1 of this Act defines an *employee* as anyone able to perform work including contract workers. The definition of *employers* in Article 1 provides for individuals, associations or legal entity managing enterprises in Indonesia. The definition of employer is further extended in Article 2 which states that social undertakings and other establishments not in the form of an enterprise shall be treated as an enterprise if such an undertaking has manager(s) employing other persons as an enterprise employs employees i.e. an employer-employee relationship. This implies that any employer-employee relationship would in effect come under the jurisdiction of this Act and not restricted to legal entities. It appears as though the current interpretation of the Act has restricted membership to formal sector enterprises and statistics used to determine the contribution rate and compliance are based on the formal sector enterprises that are legal entities.

It should be noted that the current Act can accommodate a possible provision regarding the workers in the informal economy. Article 4 (2) stipulates that social security for the “employees outside the contract of employment” (i.e. those workers who do not have an employer-employee relation) will be provided by further Government Regulation. It is understood that the Government Regulation referred to in this article should include provisions of social security for workers in the informal economy. To date such Government Regulation has not been issued. Depnakertrans is in consideration to develop the Government Regulation.

Article 3 (2) of this Act confers the rights of social security to every employee and Article 4 (1) made contributions mandatory. The remaining articles of this Act defined the programs, contributions, benefits and operation of the employees' social security scheme.

(ii) *Regulation No. 14, Year 1993 on the Implementation of the Employees' Social Security Programme.*

This Regulation reduced the obligation of employers to register their employees in the social security scheme only to those employers with 10 or more employees and a monthly payroll of not less than Rp. 1 million (Note: Rp. 1 million is equivalent to around US\$ 100, or 2 to 3 times the minimum salary). The elucidation section of the Laws and Regulation manual indicates that the intent is to provide social security coverage to all employees but implementation is to be progressive and the first compulsory stage is the enterprises with 10 employees or Rp. 1 million payroll. Article 2 (4) of the Regulation provides that employers providing health care (by Askes or private health insurance) may opt out of the Jamsostek health insurance component if the benefits they provide for their employees are ‘superior to the basic health care package’.

Table 4.3. Jamsostek programs overview

JAMSOSTEK PROGRAMS				
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 “legal entity” workplaces with at least 10 employees or a monthly payroll of at least Rp 1 million	Compulsory for all “legal entity” workplaces with at least 10 employees or a monthly payroll of at least Rp 1 million	Compulsory for all “legal entity” workplaces with at least 10 employees or a monthly payroll of at least Rp 1 million	Compulsory for all “legal entity” 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% - 1.74% of gross wages depending on industry	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

In accordance with the existing legislation all workers are entitled to be voluntary members of the Jamsostek scheme but in practice this option is rarely exercised. Jamsostek has considered the recruitment of voluntary contributors (including informal economy workers) but at this stage this is confined to a model based on the existing programs and contributions calculated on the national average contribution salary. It is unlikely that members of the informal economy would be prepared to contribute up to 13.2% of the national average monthly salary when formal employees only contribute 2% of their wages (the remaining 11.2% is contributed by the employer).

(iii) *Act No. 7, Year 1981 on the Obligatory Report of Enterprises*

This Act requires all enterprises to register with the Directorate of Labour Inspection in Depnaker. Under the decentralisation arrangements, this responsibility now rests with the Disnaker or district offices of Depnaker that are under the control of Provincial administrations.

### 4.3.2. Compliance

Table 4.4 indicates the membership statistics of Jamsostek as of September 2001, when there were about 9.4 million active contributors. The active members' data comprise only those members currently registered and contributing to the scheme.

**Table 4.4. Membership statistics of Jamsostek, 2001**

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

Source: *Jamsostek*

The inactive members data 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;
- Unemployed Members 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.

It is seen that 5.8 million workers, or nearly 40%<sup>12</sup> of the current members, are inactive and thus do not pay regular contribution.

The claimants' data represent the cumulative number of members who have claimed their retirement for the period from 1978 to 2000.

**Table 4.5. Enterprises by size, 1996<sup>13</sup>**

Enterprises	Number of enterprises by size of employees						Total
	1	2-4	5-9	10-14	15-19	20+	
Enterprises with legal entity	14,027	65,130	62,034	27,138	14,324	56,755	239,408
Enterprises without legal entity	10,017,217	6,209,313	481,650	67,123	27,060	8,615	16,810,978
<b>Total Enterprises</b>	<b>10,031,245</b>	<b>6,274,441</b>	<b>543,680</b>	<b>94,257</b>	<b>41,380</b>	<b>65,370</b>	<b>17,050,386</b>

Source: *Economic census 1996, Profile of establishments with legal entity, BPS.*

As shown in Table 4.5, there were 97,499 employers registered with Jamsostek as at July 2001. Of these, 74,966 were active and 22,533 were inactive. It is seen from Table 4.3 that the number of the registered employers

12 This compliance rate represents the percentage of the current membership and not the population of eligible contributors. The actual contribution compliance with the law is estimated at about 15%. This is based on authors' estimate based on about 60 million workers in employee-employer relationships.

13 Whilst the absolute numbers may be dated and subjected to the economic crisis of 1997, it is expected that the current relativities between enterprises would be similar.

(97,499) is approximately equal to the number of employers having a legal entity with 10 or more employees. This does not take into account the total payroll of Rp. 1 million which, if included would probably extend to all of the employers with 5-9 employees and most of the employers with 2-4 employees.

It is therefore estimated that at least 190,000 employers (with legal entity) should be compulsorily covered by Jamsostek. Moreover, if employers without legal entity are taken into account, the real potential under the existing legislation is at least 500,000 employers<sup>14</sup>. The potential number of eligible employees i.e. from the formal employment sector with 10 or more employees or monthly gross payroll exceeding Rp.1 million, is estimated at about 27.3 million employees<sup>15</sup>.

In addition to the limited scope of coverage, there is a problem of exemption. Although the coverage is compulsory for the old-age and death benefits, an employer is allowed to “opt out” to a private insurance that provides higher level of benefits. This clause inevitably results in the evasion of large enterprises from the scheme and thus limits the redistributive effect. Under certain simplified assumptions, about 3.7 million workers are not participating in the work injury scheme.

The participation of health care is significantly low. When this benefit was introduced in 1992, most state-owned and some private enterprises had already been registered with Askes. In addition, the contracting-out clause applies to this benefit. As noted earlier, the contracting-out clause has resulted in some adverse selection with better-paid workers more likely to be covered by Askes or private (or employer-funded) schemes with the lower-paid, more vulnerable workers covered by Jamsostek. The risk pool is in consequence much smaller and with a lower level of funding than it should be.

#### 4.3.3. Contribution evasion

Contributions collected from employers and workers are the main income to the Jamsostek fund. As indicated in Table 4.3, the total contributions for an average married worker for four benefits are about 13 percent of the contributory wage, of which 2 percentage-points are deducted from the worker’s salary. For the health care, the contributory wage is subject to a maximum of Rp. 1 million per month.

Moreover, there are some evidences of contribution evasion by means of underdeclaration of contributory wages. A common type of underdeclaration is to report the basic wage only that excludes various allowances and bonuses. The average contributory wage for old-age is estimated at Rp. 380,000 per month. Further, the estimated average contributory wage for health care is Rp. 250,000 per month, which is almost equivalent to the minimum wage level. Being a state-owned enterprise, Jamsostek has to rely entirely on labour inspectors of the Depnaker for the inspection of establishments and collection of contributions. The Government Regulation No. 14 / 1993 stipulates that employers have to pay a fine of 2% of contributions due for each month of late payment. In case of fraud, a penalty of Rp. 50 million or 6 months imprisonment can be charged. In practice, however, this clause is rarely applied.

#### 4.3.4. Benefit programs

##### (i) Old-age benefit (JHT)

The old-age programme is essentially a provident fund based on individual accounts, providing for refunds of the contributions and interest credited to the account in a lump-sum in the event of certain conditions. If the final balance exceeds Rp. 3 million then the amount can be received over a period up to 5 years during which the outstanding balance will earn interest. This programmed withdrawal, however, does not have any insurance

14 Authors’ estimate from Table 4.3 and including the estimate of 190,000 with legal entry and the estimate of the employers without legal entry with 5-9 employees or more.

15 Assuming an average monthly contribution wage of Rp. 480,000, only the employers with two or less employees would be exempt from contribution. i.e. only about 5-10% of employees would work for an employer exempt from compulsory contribution. (Source BPS employment statistics 2000.)

element which allows for sharing the longevity risk. The conditions for withdrawal are (i) attaining 55 years of age, (ii) total and permanent disablement, (iii) death before reaching age 55, (iv) death of accident at work, (v) repatriation of foreign workers and (vi) 6 months' unemployment period for workers who made at least 5 years' contributions (called the 5-years/6-months rule).

- The average old-age benefit attaining 55 years of age is Rp. 2.1 million, or 5.5 months' average contributory salary (8.5 months' minimum wage). This benefit level is far from sufficient to provide an adequate income protection for the life after retirement. The low benefit level results from (i) an unfavourable rate of return, (ii) high administrative costs, (iii) low compliance rates and (iv) an insufficient contribution rate (5.7%).
- Since the economic crisis the number of withdrawals has increased significantly as a result of a sharp increase in the claims on grounds of the 5-years/6-months rule. In 2000, for example, more than 0.6 million workers, or 3.3% of covered workers, received this benefit for this reason. As of mid-2001, this trend was continuing. This suggests that since the economic crisis period the old-age benefit has been used as an unemployment benefit to cope with the emergent need of cash for the unemployed workers. However, these immature withdrawals of the old-age savings in turn weaken the old-age income protection.

*(ii) Work injury benefits (JKK) and Death benefits (JKM)*

Work injury programme provide typical compensation benefits against work-related accidents and diseases. Main observations are as follows:

- The estimated incidence rate is about 1.3% per active insured worker, which appears to be significantly low.
- Medical costs have the largest share in the work injury benefits (38%), followed by death benefits (33%), temporary disability benefit (14%) and permanent disability benefit (13%). As a consequence of employment accidents, 86.5% of cases recover from illness but 9.5% remain permanently disabled and 4.0% die.

Death benefits are cash benefits payable to the family in the event of non work-related death of an insured worker. Currently, the benefits consist of a lump-sum cash benefit (Rp. 3 million) and a funeral grant (Rp. 0.6 million). It is planned to change the benefit formula to 6 times the last drawn salary with a minimum guarantee of Rp. 3.6 million. Also planned is to pay the funeral grant upon the death of the spouse of an insured worker.

*(iii) Health care benefits (JPK)*

The Jamsostek health care scheme covers worker members, spouse and the first 3 children only (the limited number of children is imposed by the family planning policy). The health care program covers the medical costs for primary and secondary out-patient care, in-patient hospital care, and special and emergency care. Concerning the utilisation of the out-patient care, an insured person visits hospitals on average 1.9 times a year (1.7 for primary care by general practitioners, 0.09 for primary dental care, 0.1 for secondary care by specialists). For the in-patient care, the average incidence rate of hospitalisation is 25 cases per thousand and the average admission period is 2.81 days per case.

The adequacy of the medical cost rests on further detailed examination of the unit cost. Assuming the current price level of medical services and the current contribution rates, a further increase in the utilisation rates of in-patient care in particular, coupled with very low contributory base and relatively high administrative costs, could potentially risk the financial viability of the health care programme.

#### **4.3.5. Casual and contract workers**

One of the major areas of non-compliance with regard to Act No. 3 of 1992 is due to employers declaring that workers employed in their enterprises are paid on a daily basis or are contractors and thus are not insurable

under Jamsostek. Although this is common practice, it is not consistent with the legislation. There are numerous references in the Act and in the Regulation which clearly state that the intention of the legislation is for them to be included in the Jamsostek scheme.

Relevant examples are:

- Article 8 of the Act deals with employment accident insurance and in the elucidation it states “contractor who is not an employer is considered to be working for the employer who contracts the job”.
- Elucidation of Article 4 clarifies the meaning of an employee as anyone “working in employment as an individual or an enterprises and who receives wages, including daily, casual, and contractual workers.....”
- Article 1 (3) of Regulation No. 14, 1993 defines how the income for daily workers, contractual, piece rate and seasonal workers are to be calculated.

It is thus evident that there is a statutory obligation on employers to enrol their casual, piece rate and contract workers. It is also evident that without an effective compliance regime the common practice of excluding these workers will continue.

#### 4.4. Overview of Taspen and Askes programs

In this section we summarise key structure of the Taspen and Askes programs.

##### 4.4.1. Taspen – Insurance and pension program for civil servants and retirees

Taspen is a state-owned enterprise assigned by Government to manage the social insurance program for civil servants. The scheme provides lump-sum (insurance) benefits and pensions.

###### *(i) Coverage*

Membership in the Taspen programme is compulsory for civil servants. In 1995, about 4 million current members<sup>16</sup> and 1.5 million retirees were covered. In 1997, there were 1.646 million retirees and 743 thousand receiving survivors pension.

###### *(ii) Contribution*

Civil servants make monthly contributions of 8% of salary, of which 3.25% of salary is used to finance the lump-sum (insurance) benefits (THI) and the remaining 4.75% of salary goes into the pension fund. TASPEN is designated to pay all of the lump-sum benefits and 25% of the pension benefits. The rest of 75% of pensions cost is paid from the Government budget.<sup>17</sup>

###### *(iii) Benefits*

The benefits from Taspen include the pension plan providing periodical retirement pensions or survivors’ pensions, and the lump-sum benefit (THI) payable upon death or retirement of an insured worker. The lump-sum benefit is equal to 16.5 months of salary in the event of death in service or on attainment of retirement age (56 years). The pension amount is calculated at the rate of 2.5% of the final monthly salary for each year of service. On death, before or after retirement, a monthly pension is paid to the widow or widower (or to the children if there is no spouse).

<sup>16</sup> The number of members is based on previous estimates of the number of civil servants. A different estimate by the State Personnel Administration (BKN) and the Ministry of Finance indicates the number of civil servants and members of the Armed Forces and Police was 4.6 million in 1999. There are estimated 298,000 active members in the Armed Forces and 206,000 in the police.

<sup>17</sup> Source from Executive Director of Operations/COO, TASPEN. However, other sources describe that the cost sharing is 22.5% from contributions and 77.5% from the Government.



#### 4.4.2. Askes – Health care program for civil servants and voluntary private organizations

Askes is a state-owned corporation providing health care to its members based on the concept of managed health care<sup>18</sup>.

##### (i) Coverage

Askes provides two types of membership. The compulsory health insurance cover (Askes Social) is provided for active and retired workers in civil services, army and police as well as their covered family members (spouses and up to two dependent children under 21 years of age). In 1991, the compulsory membership was expanded to include veterans and pioneers or fighters of national independence. Also in 1991, Askes introduced a commercial health insurance based on voluntary membership for employees of state companies and private corporations (Askes Commercial).

The number of compulsory members has been stable for the recent years and in 2003 it stood at 13.8 million, of which 5.6 million were contributing members, and 3.6 million spouses and 4.7 million dependent children. The commercial health insurance has been growing rapidly. The number of commercial members increased from 0.66 million in 1999 to 1.42 million in 2003.

##### (ii) Contribution

The contribution rate is set at 2%. There is no ceiling on the contributory wages. The full contribution collection is usually the case for Government employees as their contributions are deducted from salary.

##### (iii) Benefits

The Askes provides benefit package for comprehensive health care, including preventive, curative, promotive and rehabilitative, based on the managed care system. The health care providers are mainly public health centres and hospitals. Prescribed drugs in the list are covered subject to certain ceilings.

The standard benefits include: (1) primary health care; (2) secondary health care; (3) inpatient care; (4) normal and abnormal delivery; (5) simple laboratory and X-ray procedure; (6) pharmaceutical; (7) supplement, eye glasses, dental prosthesis. A standard plus package includes, in addition to these seven standard elements, special care such as CT scan and MRI, and extremities prosthesis.

#### 4.5. Addendum: National Social Security System Act (Law No. 40 of 2004)<sup>19</sup>

In 2002, a Task Force was created under Presidential Decree No. 29 of 2002 to prepare draft legislation and a supporting academic paper for a national social security system to provide more effective social security to all. Over three years' discussion, the Task Force developed a draft bill and submitted it to the Parliament (DPR) in early 2004. On 28 October 2004, the Parliament approved the bill after having made a number of revisions during the Parliament discussion<sup>20</sup>.

The law provides a basic framework for the development of the social security and social assistance and the detailed rules will be specified in the subsequent Presidential Regulations. Some key features of this law are summarized as follows:

18 Main legislations relevant to Askes are as follows:

- Presidential Decree No. 230/1968
- Government Regulation No. 22/1984
- Government Regulation No. 69/1991.

19 The law is commonly known as RUU-SJSN – Rancangan Undang-Undang Sistem Jaminan Sosial Nasional.

20 The bill came into effective with the signature of the former President Megawati Soekarnoputri on 19 October 2004.

- The law stipulates the principles and goals of the National Social Security System. For the implementation of the National Social Security System, the law stipulates the establishment of a National Social Security Council under the President. The Council will be composed of 15 members representing the Government, social security experts and employers' and workers' organizations and its main function is to formulate the policies and provide supervision for the implementation of the National Social Security System.
- The law anticipates the achievement of the universal coverage in a phased manner. The law only states that it is mandatory for employers to enrol their employees to the social security schemes and that the Government will provide social assistance to the poor. The explanation notes to the law states: "Although membership is mandatory for all citizens, its implementation will take place in accordance with the economic capacity of the people and the Government as well as the feasibility of the programme. The first stage will start with workers in the formal sector, in parallel with voluntary membership of the informal sector workers, including farmers, fishermen and the self-employed."
- The existing four social security schemes (Jamsostek, Taspen, Asabri and Askes) will continue to operate as social security carriers but the legal status of these schemes will be changed from the Persero (profit-oriented limited liability state enterprise) to a *not-for-profit*, social security fund within 5 years transition period. Additional social security carriers can be created as needed. The law requires that the financial accounts of different benefit programmes should be managed separately and prohibits the inter-programme fund transfer.
- The scope of the law covers five social security programmes, namely: (i) health insurance, (ii) work injury, (iii) old-age (provident fund), (iv) pensions, and (v) death benefits. Furthermore, the law states that the government will develop the social assistance for the poor and economically disabled, but its details are entrusted to the Presidential Regulations that follow.
- With respect to financing, the law only stipulates that the contributions for the social security programmes should be paid jointly by the employers and employees but does not specify the contribution rates or how contributions are shared between employers and workers. The Government will subsidize the contributions concerning the social assistance for the poor and the economically disabled. In the first phase, the Government provides health insurance for the poor and alike (there are estimated 40 million people in this category and the estimated amount of health insurance contributions is Rp. 4 trillion for each year<sup>21</sup>).

The SJSN Act is a major milestone in the development of social security system in Indonesia. However, the law is only a framework (umbrella law) and a number of issues still remain to be worked out in the future. There is a vital need for immediate technical cooperation in the following three areas:

- (a) There needs to be a mid-term implementation plan (road map) defining the process of implementing the SJSN Act in stages<sup>22</sup>. In line with the road map, strategic action plans should be developed that describe the goals to be achieved for each stage of implementation. It is critical that the road map and action plans should be based on high degree of consensus and commitment at all levels of administration. These plans should be reviewed regularly in the light of the evaluation of the actual progress.
- (b) Key parameters of the social security programmes needs to be determined in the Presidential Regulations. This will involve the development of policy options for the benefit design (including the determination of the benefit parameters, and the adjustment of the possible duplication of old-age benefits and pensions benefits), determination of the contribution rates based on actuarial projections, financing mechanism (including the determination of the adequate reserve level and investment guidelines), and organizational arrangements.
- (c) The administrative capacity for the existing social security carriers should be strengthened to improve the compliance of the workers in the formal employment sector and to prepare for the expansion of the workers in the informal economy.

21 It is reported that Askes would be tasked to implement the provision of health insurance cover to the poor

22 The law often uses the terms "implementation in stages" which are not well-defined.

# 5. Urban Informal Economy Survey Findings

## 5.1. Aims and methodology

The survey into the informal employment sector aims at collecting primary indicators of social security needs and information that may support the establishment of a future pilot study that could assist in the design and testing of a social security program to meet the needs of informal economy workers. This urban informal economy survey was carried out in the framework of the ILO Restructuring project.

This survey concentrated on the two major sectors of the urban informal employment sector, namely the *manufacturing* industry and the *wholesale and retail trade, restaurants & accommodation services* industries. The survey was conducted in 2001 in three geographical areas that had heavy concentrations of urban informal economy workers from the two major categories that were considered to have potential for future participation in a social security scheme. A total of 2000 people were surveyed in East Jakarta (700), Bandung (500) and Yogyakarta (800).

The scope of the survey was to obtain information from selected workers in the urban informal economy about personal details, education, employment, income social security needs, priorities and their capacity and desire to contribute to a social security scheme. During the survey, the interviewers provided informants with basic information about social security programmes in Indonesia, as it was anticipated that many people would have little understanding of the concept. The choice of employment category and location was based on proximity to major cities, earnings capacity, high social risk and potential to create groups of workers with similar work and life interests. The potential to implement a future pilot scheme and a subsequent social security program was also a key consideration.

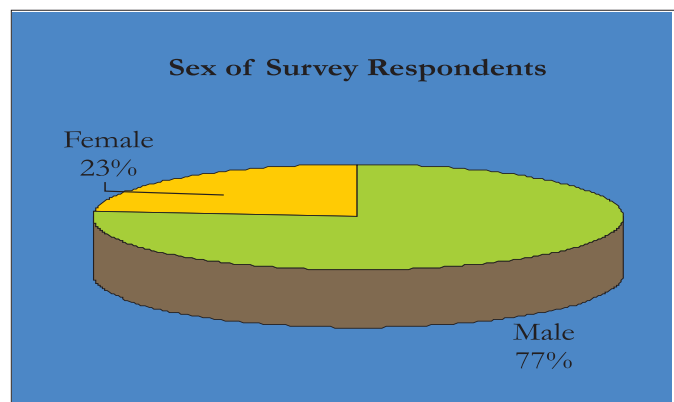
## 5.2. Key survey results

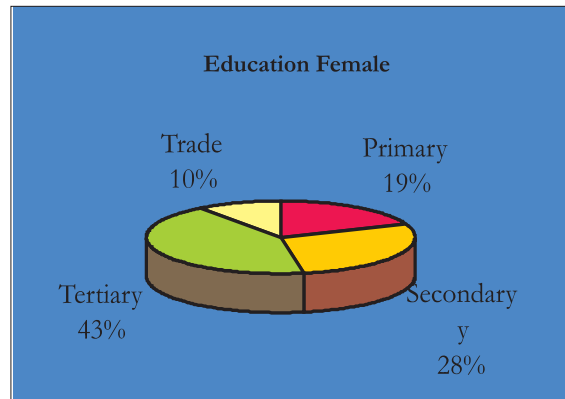
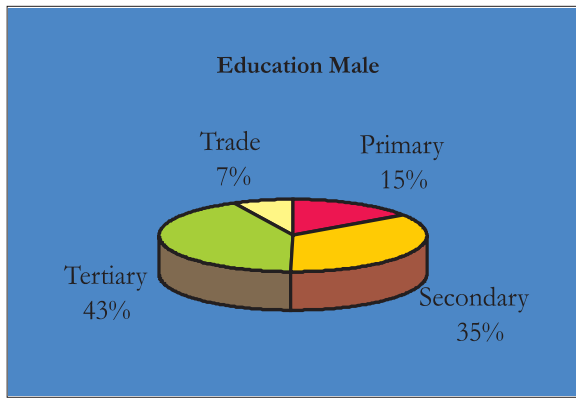
The questionnaires of the survey consist of four parts; personal details, employment, income, and, social security needs, priorities and desire to contribute. A summary of the key findings are presented below and more detailed findings from the surveys are found in Annex A.

### (i) Personal details

The balance between sexes in the survey was biased towards males because of the type of industries chosen. Many of the retail, manufacturing, transport, repairers etc were males. The predominant work areas for females in batik craft and home workers were less accessible to the surveyors.

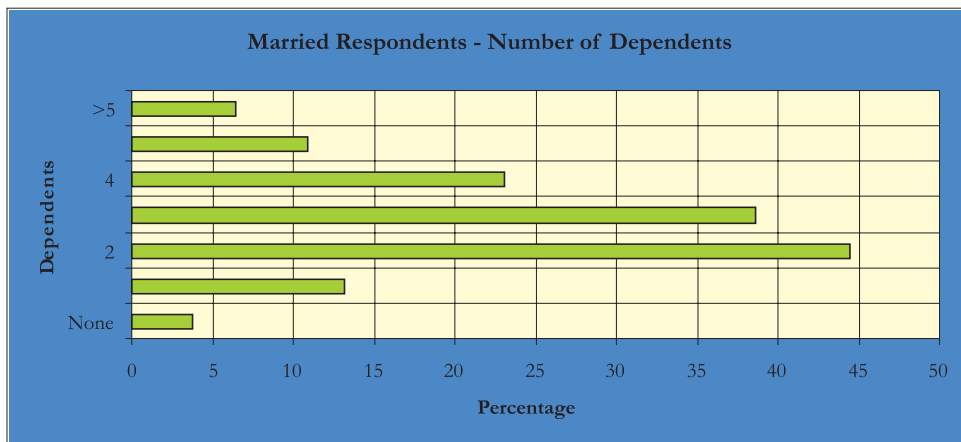
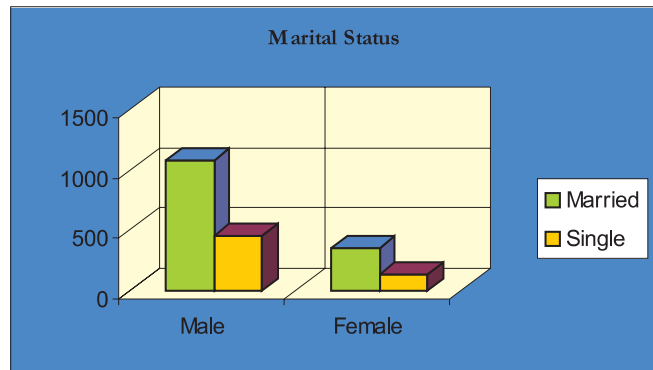
The number of Tertiary educated workers was significant and appears to reflect the limited availability of skilled jobs and the entrepreneurial nature of the informal sector around the cities in the sample.



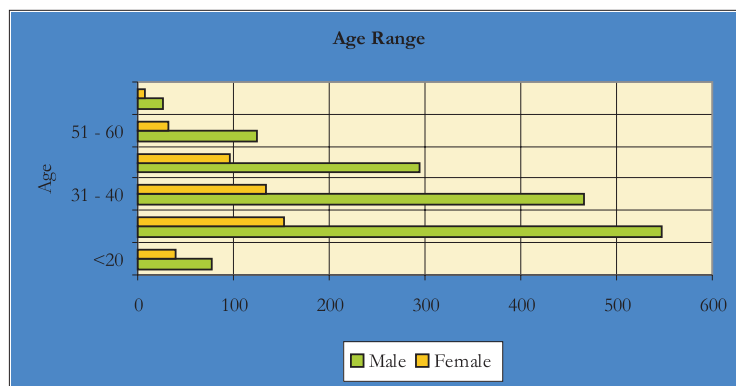


The marital status of the survey sample showed that about 70% of the respondents were married.

The average number of dependents for married people was significant at 4.2, and to arrive at that average, the number of dependents in each family ranged from 1 or 2 to up to 12 dependents in some families.

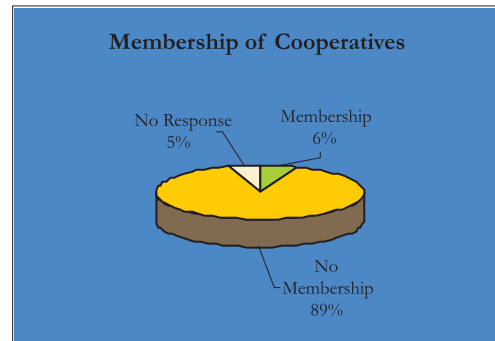


The age ranges shown in this chart indicate that 65% of the respondents were between the ages of 20 and 40. The numbers of youths employed in these sectors was relatively small and whilst the reason for this are not clear it may be related to costs of establishment for self employed and skills training for the employees.

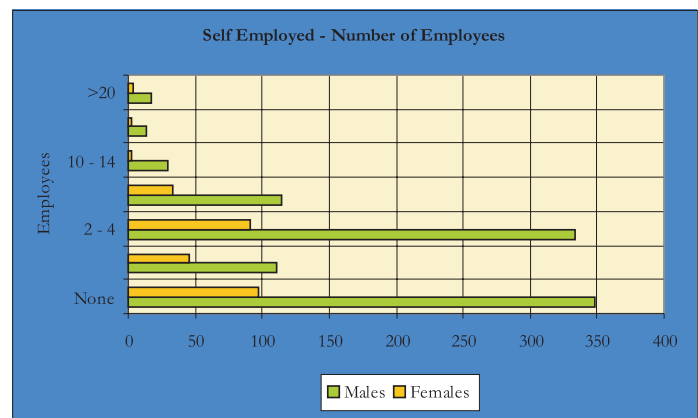


**(ii) Employment**

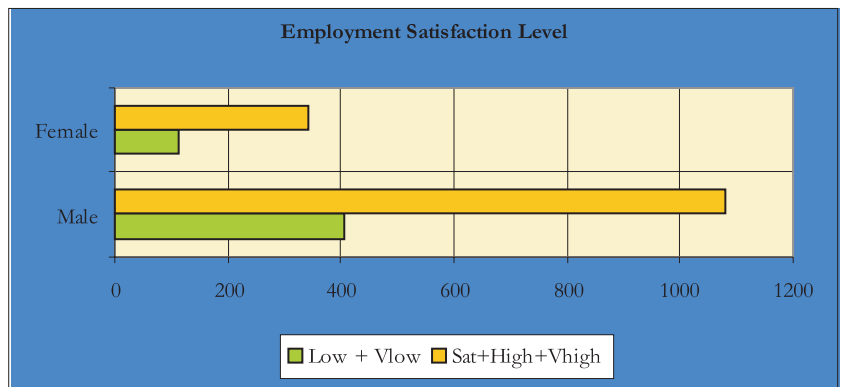
The findings on employment status show about two-thirds self-employed and about one third as employees. The chart on membership of cooperatives also confirms that in the two employment sectors chosen for the study membership in cooperatives or other associations was very small at 6%.



During the survey self-employed people were then asked how many employees worked for them in their enterprise. This chart shows that the response *none (36%)* probably represents the individual self-employed and the remaining 64% had more than one employee. Based on these results about 800 of the self-employed respondents had employees and employed almost 4000 employees, a ratio of almost 5:1.

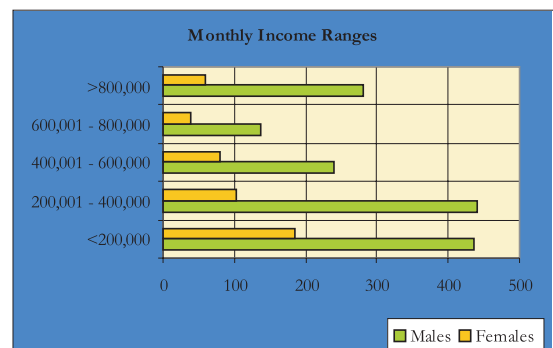


The employment satisfaction level was almost the same for males and for females at 70% and 74% respectively. When the self-employed factor of 65% is taken into account there are still a significant number of employees who are satisfied with the work they are currently doing.

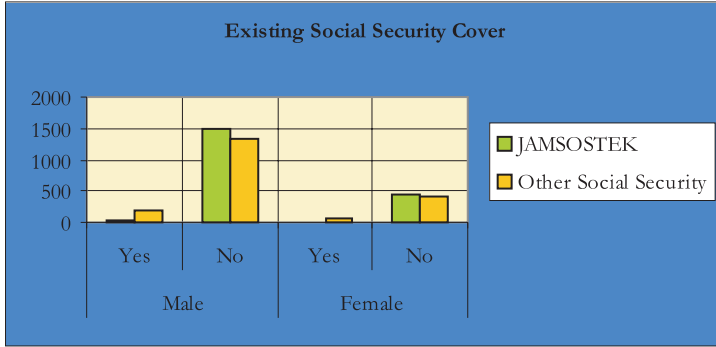


**(iii) Income**

A large diversity of income was observed among the workers in the informal economy. The income distribution of the sample confirmed that informal sector workers are not necessarily the poorest with over 20% earning more than double the national average. However, almost half of those surveyed earned less than the national average and over 20% earned less than one half of the national average. This group and their families would clearly be below the official poverty line.

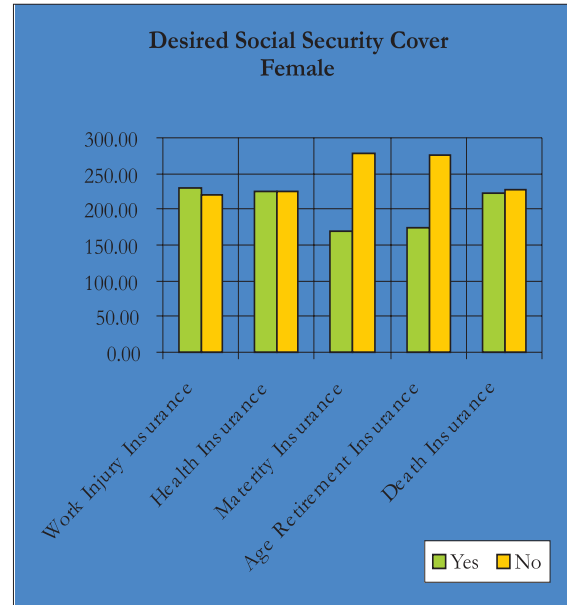
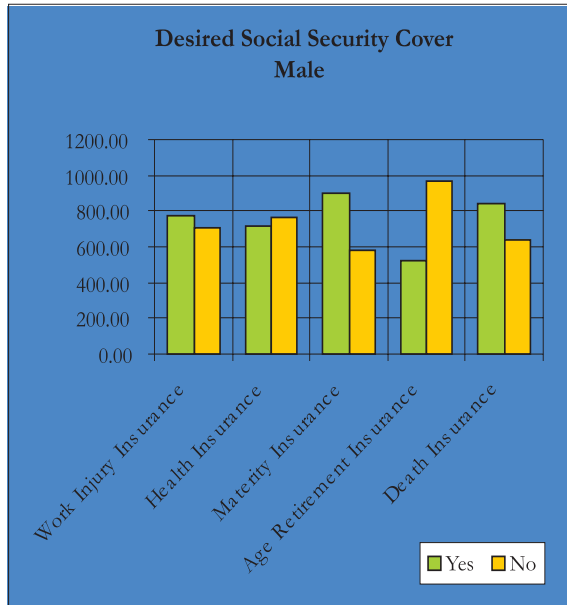


(iv) Social Security

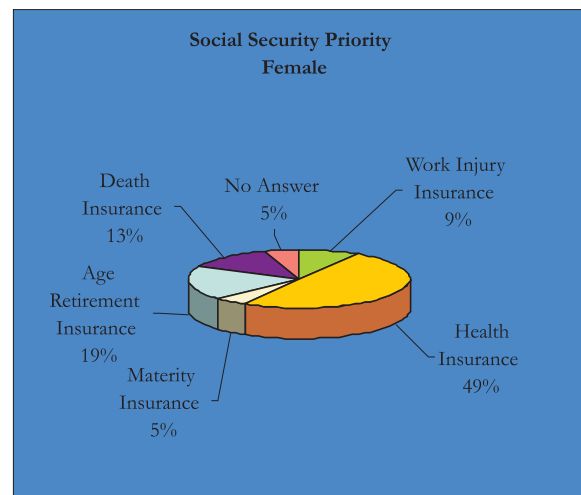
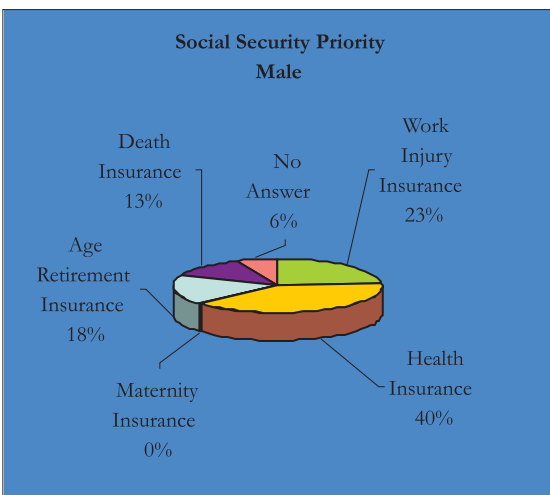


The vast majority of those surveyed had no social security cover. Only 2.3% had Jamsostek cover and about 12% had other social security cover, mostly for health insurance.

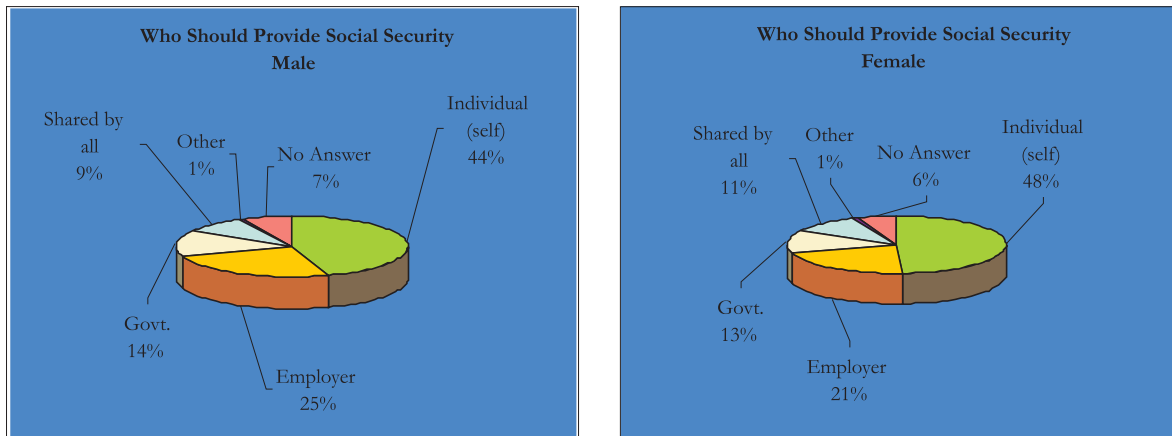
It is also evident that females as a group had the least cover.



The contingencies that most respondents desired to be covered for were Health, Work Injury, and Death. Women rated Health, Work Injury and Death benefits almost equally. A surprising difference for men was that Maternity payments rated the highest. It should be noted that respondents were also asked to choose their top priority cover and this is shown in the charts below.



The top priority life event that most respondents selected to be covered for was Health. Males also rated Work Injury, Age and Death. Women rated Health, Age and to a lesser extent Death benefits as more important than work injury insurance. Whilst males rated maternity payments highly as desired cover, this did not translate as a priority for them.



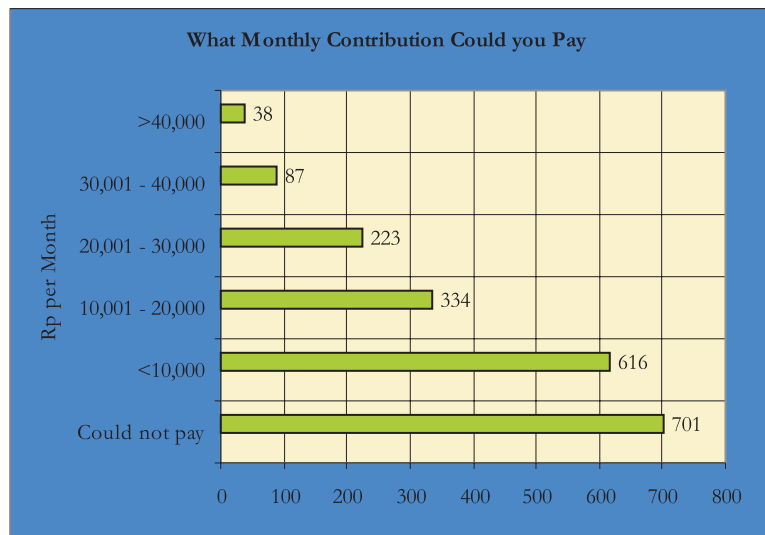
The issue of who should pay for social security contributions was very surprising in that almost half respondents indicated that individuals should pay and about 25% believed that the employer should pay contributions. It is unclear whether this reflects reality or a lack of understanding of what happens in most other countries.

When asked whether they would be prepared to contribute for their own social security schemes the response was very similar to the previous question about who should provide for social security.

The response that 42% were prepared to contribute to a social security scheme offers some promise for a future voluntary contributions scheme.

The responses to this question provide some direction into the design of a future scheme and indeed to any proposed pilot. It is evident that high contributions and benefits that are not attractive, together with insufficient information and don't know represented well over 60% of responses. The only other significant responses were *no need for social security* and *need information*.

Respondents were asked how much per month would they be able to pay for social security contributions and



1999 responses were received. About 35% were adamant that they could not contribute and this correlates with the income levels where 31% earned less than Rp. 200,000 per month or half the average minimum salary and a further 27% earned Rp. 200,000 – Rp. 400,000 per month which is somewhere between half and the average minimum salary.

It is interesting to note that the average contribution to Jamsostek (for both employer and employee) is about Rp. 45,000 per month and from this survey about 17.5% of respondents believed they could pay about that amount. If we looked at a contribution of half the average Jamsostek contribution (about Rp. 20,000 per month), then about 34% of the respondents would be able to comply. The results of this survey suggest that a carefully planned and administered scheme, over time, could attract a significant number of voluntary contributors. This of course could be made more substantial with a contribution subsidy.



# 6. Rural Informal Economy Survey Findings

## 6.1. Introduction

The rural informal economy survey complements the urban informal economy survey to have more comprehensive picture of the workers in the informal economy in Indonesia. It has long been considered that rural workers especially those included in cooperatives and group schemes may show potential for consolidated group contributions and coverage for some social security benefit programmes. The rural survey aimed to determine the priority needs of rural workers their incomes and their capacity to contribute to potential social insurance schemes and to consider the feasibility of further research into extension of coverage to the rural informal economy.

The scope of the rural survey covers the *farming, fishing* industries and a small sample were collected from *retail traders*. The surveys were conducted in November 2003 in three geographical areas that had low, medium and high rates of poverty (BPS definition) and a total of 2169 people were surveyed in the rural areas surrounding Bandung at Sakabumi and Pandangan (700) in West Java, around Cirebon north east of Jakarta (700), and around Semarang in central Java (700).

## 6.2. Key survey results

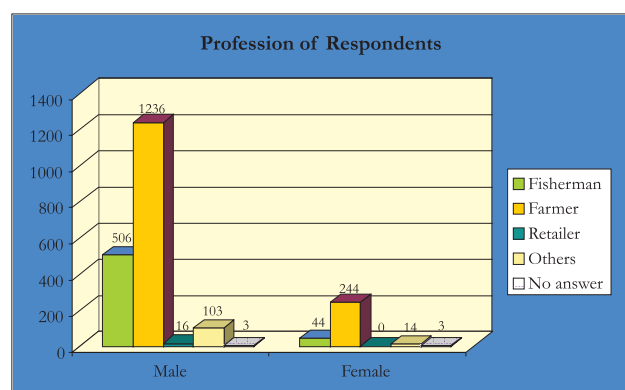
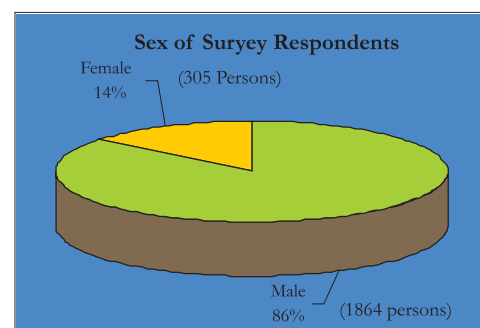
The survey data collection form consists of four parts; personal details, employment, income, and, social security needs, priorities and desire to contribute. A summary of the key findings are presented below and a more complete selection of tables of findings from the surveys are contained in Annex B. Sample survey forms are contained in Annexes C and D.

### (i) Personal details

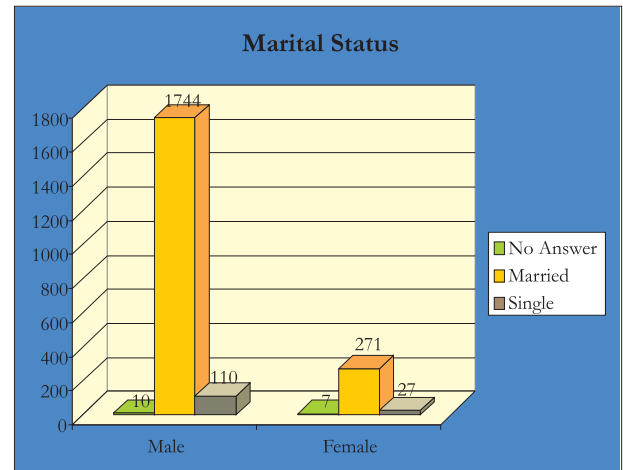
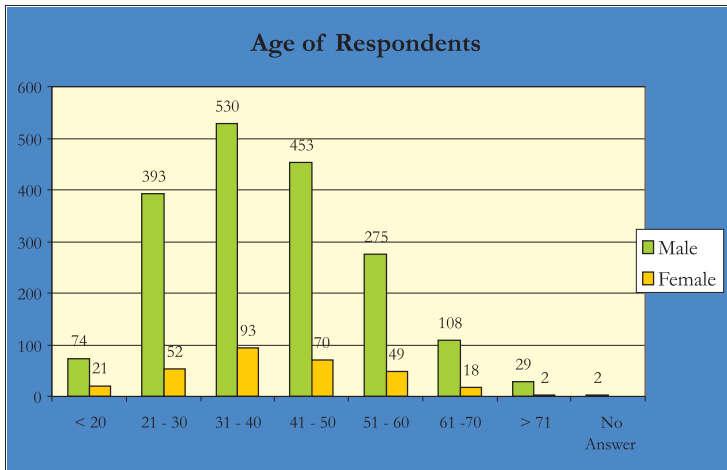
A total of 2169 rural workers were surveyed at random and the sample was based on availability of workers in the villages and fields at the time of the visits. It should be stressed that the survey was for workers and it is evident from the results that a much higher number of males than females were available for survey. This gender bias is probably reflected in the rural paid workforce where women comprise the bulk of the unpaid rural workforce.

The areas surveyed were chosen to reflect the structure of the rural workforce where the bulk of workers are employed as farmers and fishermen. The other categories such as hunter gatherers and forestry workers represent the minority of rural workers and were out of the scope of this survey due to time and distance constraints.

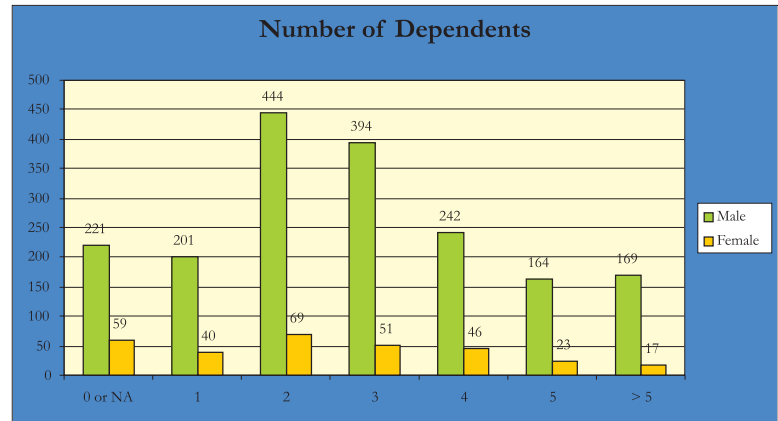
Farmers represented 68% of the sample and fishermen represented 25% of the total.



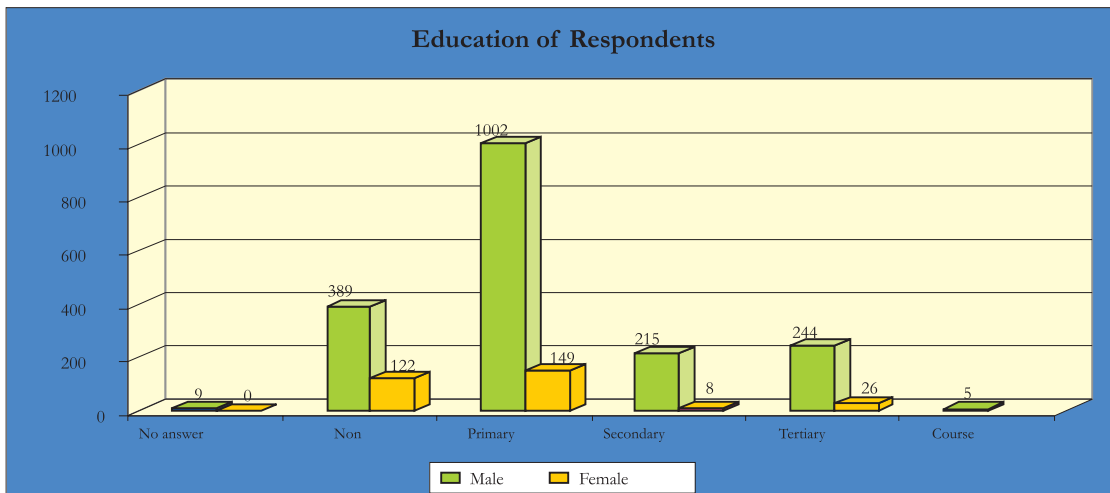
Most of the respondents surveyed were married representing 93% of the sample with only 6.3% of the respondents being single. When the age range of the sample is considered only 4.37% of the respondents were aged 20 years or younger and this is probably consistent for the employment groups being surveyed.



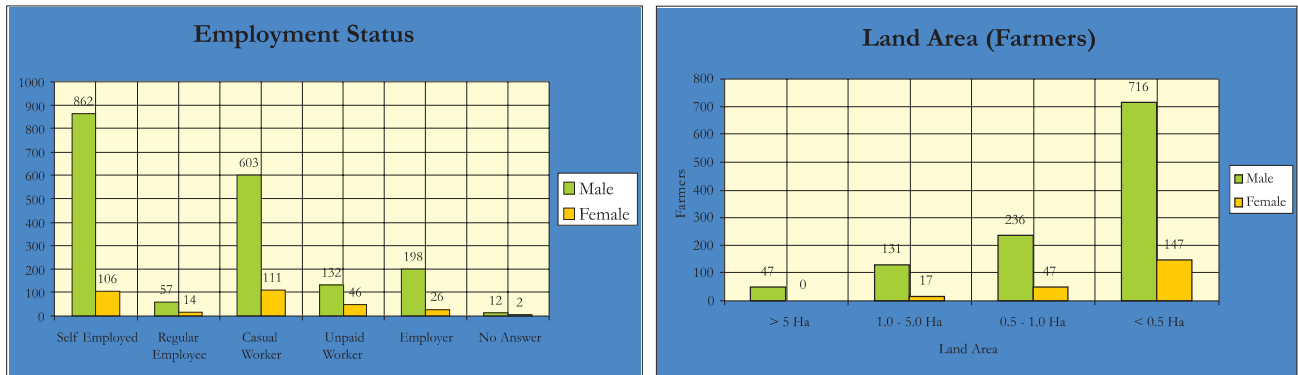
The number of dependents per family at 3.17 was slightly higher than in the survey conducted on the urban informal economy where there were 2.79 dependents per family. This finding is consistent with national statistics which show that families are larger in rural areas. However there are over 600 families or 27.7% of families with more than three dependents which is a cut off point for some schemes (maternity benefit) and also the target national family planning target.



The education levels of the respondents showed that a significant number had no education (23.6%) and that 53.1% had primary education as their highest educational attainment. Over three quarters of rural respondents had primary education or less. Secondary and tertiary education represented 10.3% and 12.5% respectively. By contrast the majority of the urban survey respondents had secondary or tertiary qualifications.

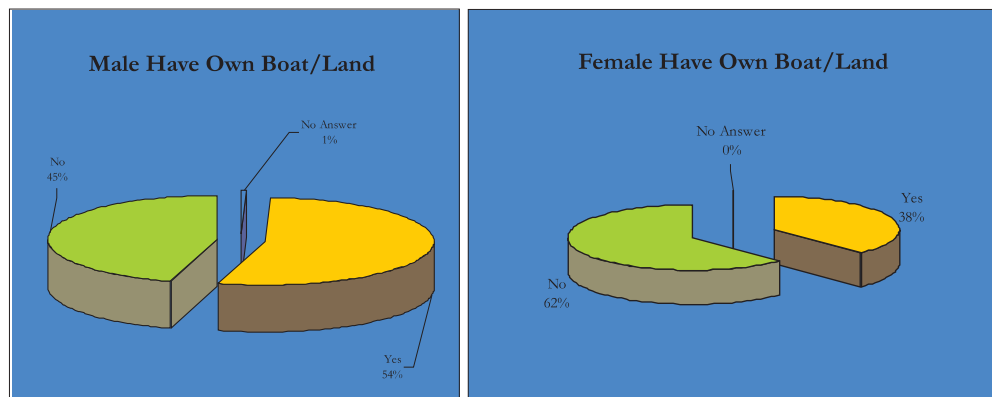


**(ii) Employment**



The survey found that the employment status of rural workers reflects the low incomes received in the rural economy with casual and unpaid workers representing about 41% of the total. Regular employees represented only 3.3% of the responses. Self employment is the major category in this sample with 44.6% of respondents and employers representing 10.3% of the sample.

The results show that about one half of all respondents owned their means of income i.e. their land or boat and of the farmers, 64.4% had less than 0.5 Ha of land and 85.5% had less than 1.0 Ha of land.

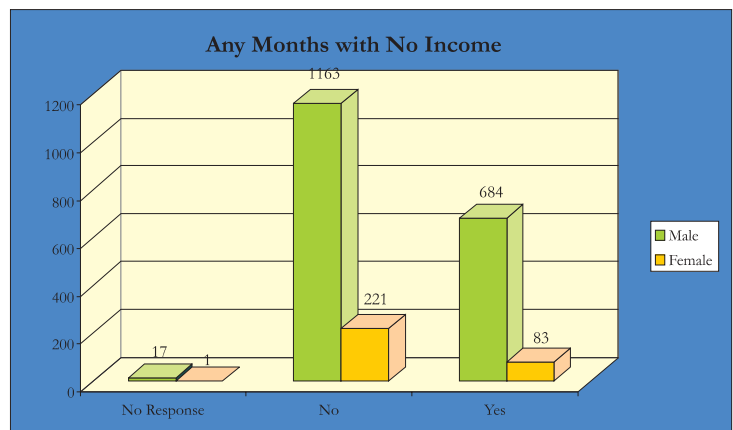


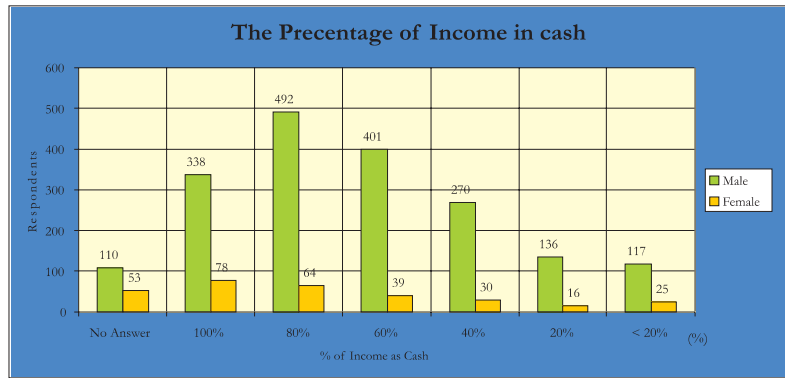
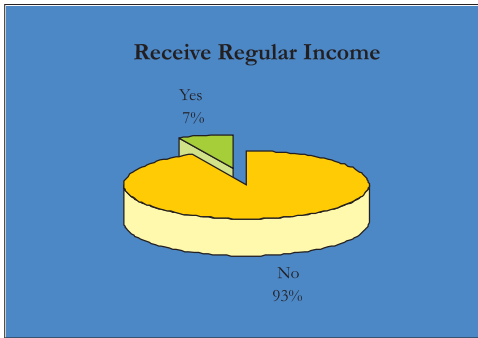
**(iii) Income**

The survey found that most respondents (93%) did not receive regular income with only 7% receiving regular income.

In addition about 61% of respondents indicated that they had some months without any income which makes continuity of contributions for possible social insurance schemes very difficult.

The percentage of income received in cash as opposed to goods or in kind is shown in the chart below. Only 19% of respondents received all of their income in cash with the remainder receiving varying percentages of their income in cash. About half of those surveyed received 60% or less of their income as cash.

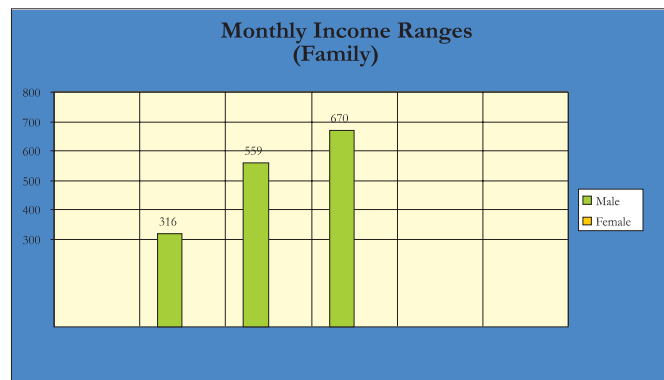
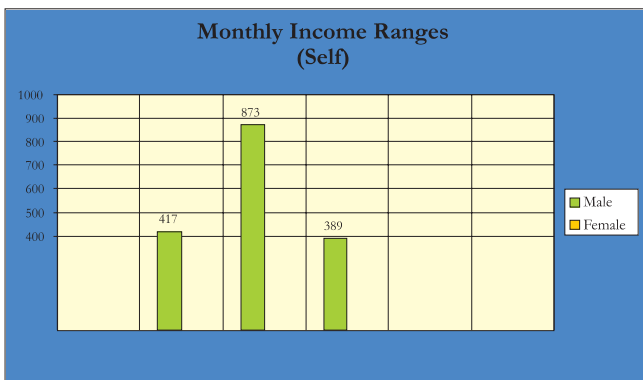




The following table shows the individual income range for males and females. The findings show that females have disproportionate shares of the adverse incomes, more females receive lower incomes than men and very few are represented in the higher income brackets. For example 25.5% of those surveyed earned less than Rp. 200,000 per month but 44.6% of women earned this amount whereas the comparable figure for males was 22.4%.

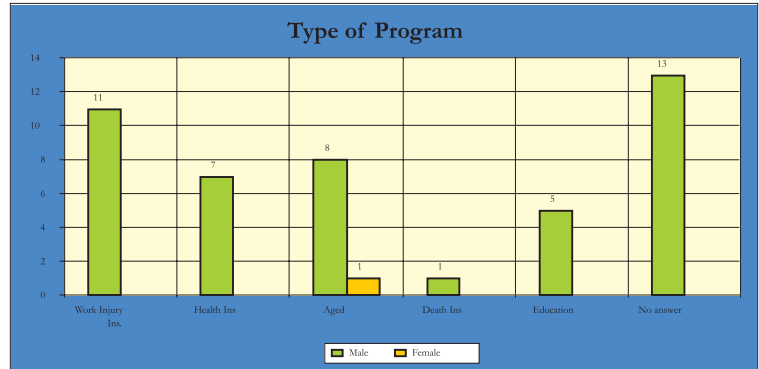
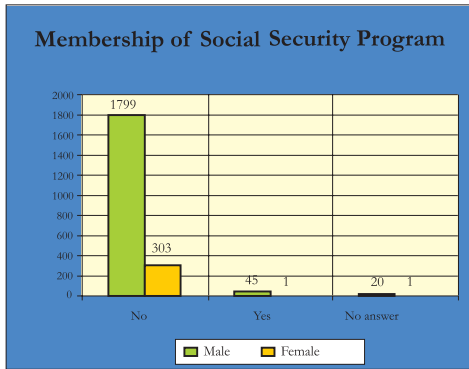
Monthly Income (Self) (Rp)	Male		Female		Total	
	No.	%	No.	%	No.	%
No Answer	63	3.38	8	2.62	71	3.27
< 200,000	417	22.37	136	44.59	553	25.50
200,000 - 400,000	873	46.83	98	32.13	971	44.77
400,000 - 600,000	389	20.87	45	14.75	434	20.01
600,000 - 800,000	83	4.45	15	4.92	98	4.52
> 800,000	39	2.09	3	0.98	42	1.94
<b>Sub-Total</b>	<b>1864</b>	<b>100</b>	<b>305</b>	<b>100</b>	<b>2169</b>	<b>100</b>
<b>Total</b>	<b>2169</b>					

The following charts compare the declared income for individuals and for families. It can be seen from the charts that the family incomes are higher than the individual incomes although the outcomes for families is still substantially lower than for the urban informal economy survey and is consistent with the national statistics which show a wide differential between urban and rural incomes.

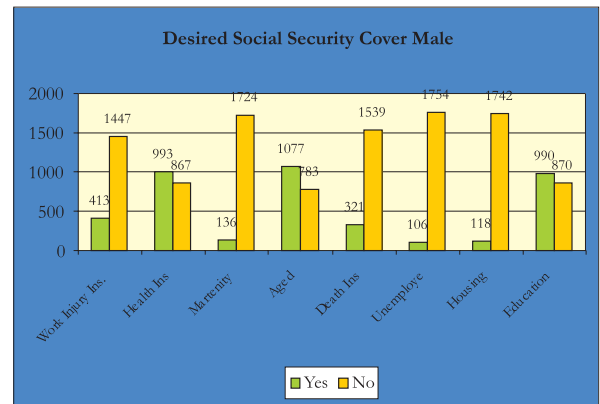
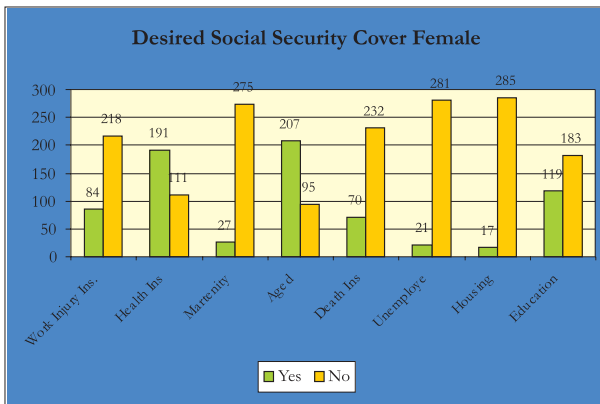


**(iv) Social security**

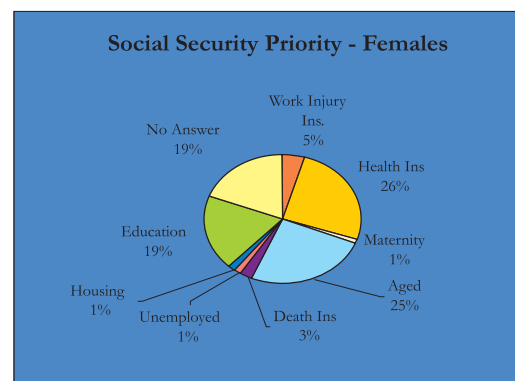
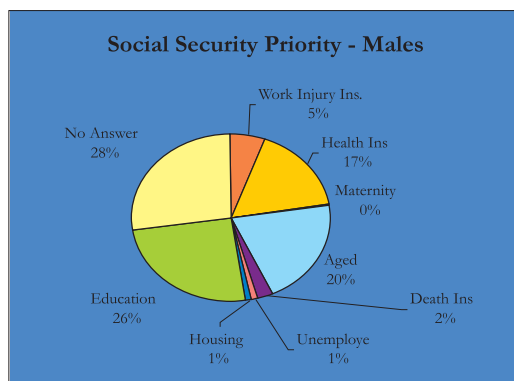
The majority of rural workers in this survey were not covered by any form of social security program and only 45 out of a total of 2169 surveyed had some form of insurance.



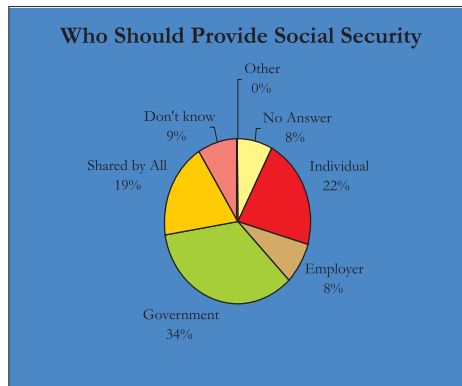
The desired social security cover was consistent between males and females in the survey with the three most common needs being for health care, aged or retirement benefits and education. The contrast with the urban survey was in the area of Education where most respondents had secondary or tertiary education. The rural survey on the other hand demonstrated the low level of education and it is not surprising that education figured highly.



The social priorities that people would choose are shown on the following charts and these priorities once again strongly correlated to the needs identified above with health care, aged benefits and education rated as the top three priorities by both males and females.

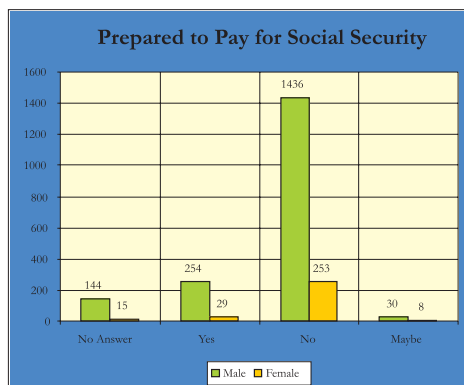


The response to the question about who should provide social security for rural workers was that the government was identified by most respondents (34.4%) with the individual as the next most popular response. Given the high rate of self-employment and unpaid and casual work the response for employer contribution was low. The high response for government may well reflect the involvement by governments in the development of rural areas, promotion of micro schemes and cooperatives and the expectation that governments are in a position to provide services. The response (22.0%) that individuals should provide for their own social security and a further 18.9% that the cost should be shared by all suggests that there may be some scope for limited social insurance in rural areas. This total of around 40% may be able to be improved if a viable, tailored scheme with a range of relevant options was presented to rural respondents.



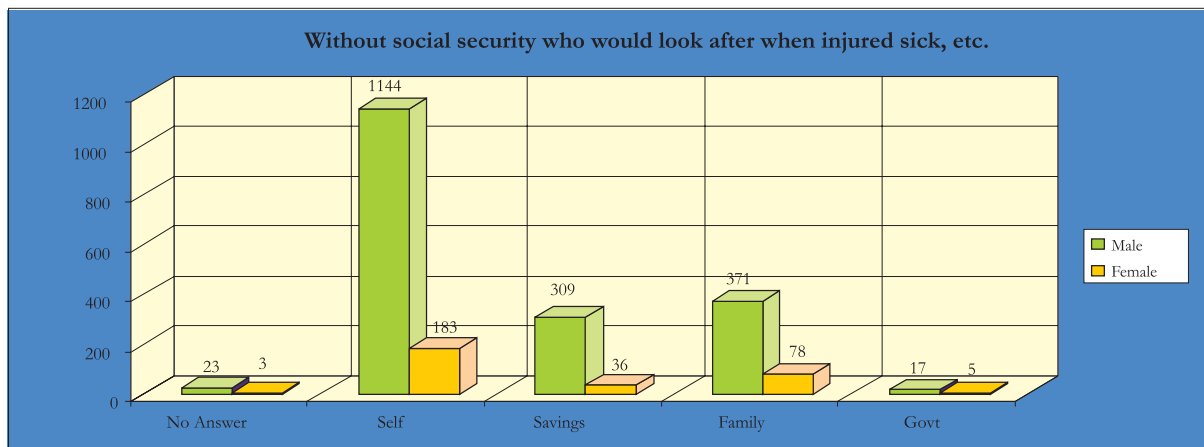
Who Should Provide Social Security	Male	Female	Total	%
No Answer	154	15	169	7.79
Individual	423	55	478	22.04
Employer	154	21	175	8.07
Government	624	122	746	34.39
Shared by All	369	40	409	18.86
Don't know	138	51	189	8.71
Other	2	1	3	0.14
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100</b>
<b>Total</b>	<b>2169</b>			

When asked if they were prepared to contribute to a scheme (voluntary or compulsory) the majority of respondents (43.5%) indicated that they could not contribute anything to a scheme. There were 29.4% who indicated that they could contribute less than Rp. 10,000 per month and a further 22.3% who could contribute more than Rp. 10,000 per month. These amounts suggest that viable schemes to satisfy the needs will be difficult to develop without some form of contribution subsidy.



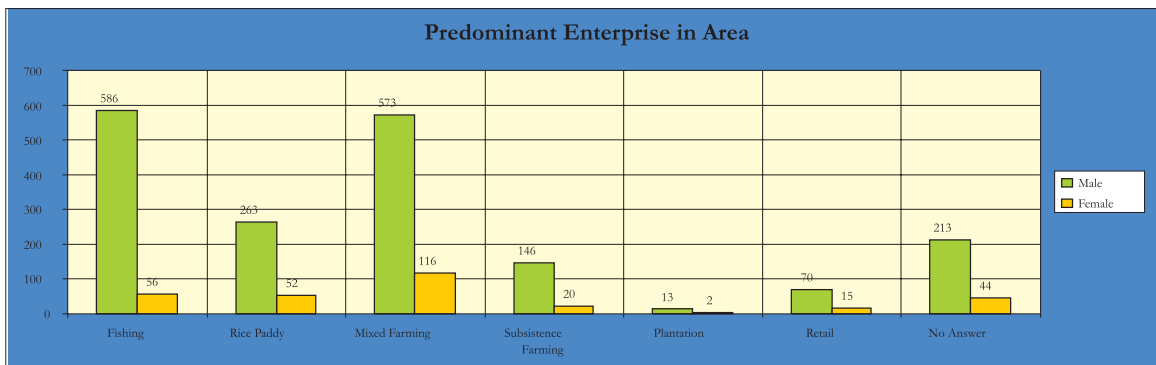
Social Security Contribution per Month	Male		Female		Total	
	No.	%	No.	%	No.	%
No Answer	92	4.94	13	4.26	105	4.84
< 10,000	586	31.44	51	16.72	637	29.37
10,000 - 20,000	364	19.53	32	10.49	396	18.26
20,000 - 30,000	53	2.84	6	1.97	59	2.72
30,000 - 40,000	12	0.64	3	0.98	15	0.69
> 40,000	14	0.75	0	0.00	14	0.65
None	743	39.86	200	65.57	943	43.48
<b>Sub total</b>	<b>1864</b>	<b>100</b>	<b>305</b>	<b>100</b>	<b>2169</b>	<b>100</b>
<b>Total</b>					<b>2169</b>	

The response to the question about who would provide for social security needs in the absence of a formal scheme showed that an overwhelming majority suggested that they the individuals would do so. This may also be considered as a “no one” response as most individuals receive limited income, most of which is irregular.

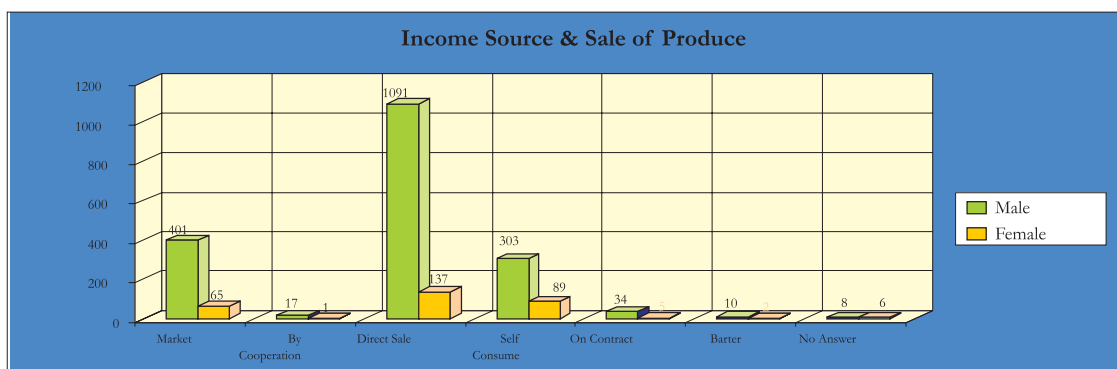


**(v) Miscellaneous information**

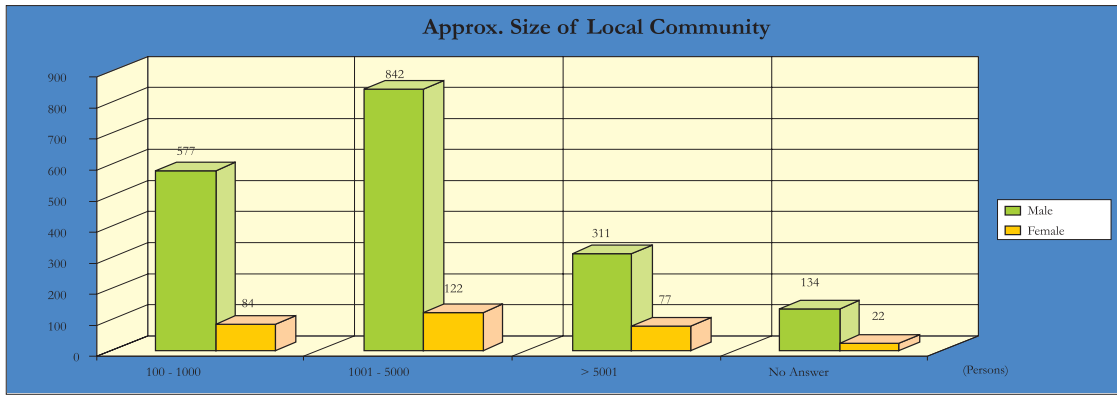
About 30% of the respondents lived in areas that were predominantly devoted to fishing and almost two thirds were from farming communities. This ratio reflects the employment situation in rural areas among the informal economy workers in the national statistics.



Much of the income from produce comes from sale and only 18.6% was bartered or used for self consumption. This group of almost 20% of respondents may have difficulty in generating cash to make contributions to any social security scheme. The situation in more remote areas could not be tested in this survey but with poor transport access, limited refrigeration, it could be assumed that this figure would be much higher on a nationwide basis.



The survey was conducted within a reasonable driving distance from the selected regional centres (Bandung/Sakabumi/Pandangaran in West Java, around Cirebon north east of Jakarta and around Semarang Central Java). There were very few remote and isolated villages included in the survey and this is reflected in the size of the local communities.



Only 12.6% respondents were members of rural cooperatives (KUD) and the majority or 84.7% were not members of any association or group. Previous studies have shown that group servicing is the most efficient means of extending social security to the informal economy and the opportunity to overlay a rural social security scheme onto existing groups may be limited based on these findings.





### 6.3. Rural and urban informal economy comparison

This section aims to contrast and compare the rural and urban informal economies in the light of the findings from the surveys. A summary table of the key parameters is shown below.

#### Urban/rural survey comparison

No.	Survey element	Rural Survey Response (%)	Urban Survey Response (%)
1	Age		
2	15 – 60	88.39%	98.25%
3	> 60	7.23%	1.75%
4	Married	93.00%	70.48%
5	Average number of dependents per married case	3.17	2.79 dependents
6	Highest level of Education		
7	None	23.56%	2.75%
8	Primary	53.07%	15.76%
9	Secondary	10.28%	32.57%
10	Tertiary	12.45%	41.27%
11	Trade	0.23%	7.65%
12	Employment Status		
13	Regular employee	3.27%	33.87%
14	Self employed	44.63%	62.08%
15	Employer	10.33%	0
16	Unpaid worker	8.21%	0
17	Income		
18	above Rp. 400,000 per month	27.36%	41.72%
19	below Rp. 400,000 per month	72.64%	58.28%
20	Prepared to Contribute to Social Insurance	15.97%	41.42%
21	Who should pay for social insurance contributions		
22	Self	22.00%	46.02%
23	Employer	8.00%	23.86%
24	Government	34.00%	13.51%
25	Monthly possible voluntary contribution		
26	Could not pay	43.48%	35.06%
27	< Rp. 10,000 per month	29.37%	30.81%
28	> Rp. 10,000 per month	22.31%	34.16%
29	Currently covered by an existing programs	2.12%	14.40%
30	Who provides for income security now		
31	Family	20.95%	56.48%
32	Self	61.95%	15.72%
33	Employer	0%	11.62%
34	Social security needs		
35	Work Injury Ins.	10.16%	21.09%
36	Health Ins	24.21%	19.75%
37	Maternity	3.33%	22.37%
38	Aged	26.26%	14.53%
39	Death Insurance	8.00%	22.26%
40	Unemployment Benefits	2.60%	N/A
41	Housing	2.76%	N/A
42	Education	22.68%	N/A
43	Priority needs – Males		
44	1.	Aged/Retirement 25.92%	Health Insurance 40.00%
45	2.	Health = Education 23.90%	Work Injury 23.00%
46	Priority needs – Females		
47	1.	Aged/Retirement 28.13%	Health Insurance 49.00%
48	2.	Health Insurance 25.95%	Age/Retirement 19.00%
49	Membership of cooperatives or other groups	15.30%	5.90%

The following observations can be made on the key differences between the findings from the rural survey and the urban informal economy survey:

- Education levels are much higher in the urban informal economy and the significantly lower standard in rural areas has been identified by the rural respondents in that they have rated education support as one of their highest priorities;
- Rural respondents rated their loss of income as a much lower risk than urban workers and the priority need for unemployment insurances reflected this difference;
- The rural survey showed more older people, more were married and the number of children per family were all higher than in the urban survey. Whilst some of this may be explained by the random nature of the survey the findings generally fit trends in the national statistics;
- The employment status in the urban survey indicated that more than twice the number of people in the urban informal economy are self employed or regular employees than in the rural survey;
- Rural incomes found in the survey were generally lower than those in the urban survey both in individual incomes and family incomes, a trend supported in the national BPS statistics;
- Provision of social security was almost reversed in both surveys with family followed by self in the urban survey and self followed by family as the current providers in the rural survey;
- Social security needs were similar in that both surveys considered health care as the number one priority whereas work injury and age benefits were also high priorities in the urban survey but old-age benefits and education in the rural survey;
- Seven times as many urban informal economy workers were covered by existing social security programs as were those in the rural survey although the rate in both surveys was very low;
- A higher proportion of rural workers declared that they could not pay any voluntary social insurance contributions than in the urban survey and those that indicated they were prepared to contribute could only contribute much lower amounts than in the urban survey;
- Most urban informal workers surveyed indicated that the individual and the employer should contribute to social insurance whereas the rural survey strongly supported the government as the prime contributor followed by the individual. This may reflect the low incidence of regular employment in the rural survey; and
- The survey found that more rural workers were members of cooperatives or other groups than in the urban informal economy although the rate in both surveys was very low.

One outcome of these surveys is that people both in the urban and rural informal economy in Indonesia have an interest in social security and would be prepared to contribute to a scheme that suits their needs and priorities. This finding provides a basis for a possible policy design in the form of pilot projects although any future proposed policy design should be tested with a more detailed and targeted survey.

# 7. Policies and Programs for Extending Social Security Coverage for Workers in the Informal Economy

## 7.1. General policy issues

Indonesia is facing a huge challenge of achieving the universal coverage of social security. The rights to universal social security coverage by all members of society have been endorsed by the government of Indonesia and this is supported by the commitments made in the National Development Program, State Guidelines 1999-2003, Indonesian Poverty Reduction Strategy Paper and the Employees' Social Security legislation etc.

In general, there is no single solution to the goal of universal coverage; every program must be designed to suit national and local needs, preferences and resources. It should also be noted that good governance and sustainability are prerequisites of any programme; this is especially true for micro insurance schemes, since such efforts often suffer from problems of long-term viability as well as transparency and accountability.

In what follows, we discuss general policy issues in the development of a suitable program for workers in the informal economy.

### (i) Legislative restriction

As analysed earlier, the scope of the Act No. 3, Year 1992 on the Employees' Social Security covers all workers under any employer-employee relationship not necessarily restricted to legal entities. The current Act can even accommodate a possible provision for the employees who do not have an employer-employee relation (Article 4 (2)). In practice, however, the mandatory coverage is limited to employers with 10 or more employees or a monthly payroll of more than Rp. 1 million. This implies that most enterprises that currently comply with the Act are the formal sector enterprises with legal entities.

### (ii) Inability and unwillingness to pay contributions

The low and irregular income of the informal economy workers is a major obstacle in ensuring secure resources. As most workers in the informal economy receive irregular income, the establishment of a gross or net monthly salary is difficult and unreliable. In the absence of an employee-employer relationship, if the current contribution rates of social security programs (the total Jamsostek contribution is around 13.2% of insurable salary) are to be applied to the newly covered members, they are unlikely to be affordable by most workers in the informal economy. In addition, unless the employers comply with making social security contributions on behalf of the employees, efficient collection of contributions is difficult with the existing administrative infrastructure. Findings from the surveys suggest that the employer-employee relationship will be difficult to establish and may cover a very small number of workers in the informal economy. Moreover, general lack of awareness of social security concept and distrust of government institutions, which are common among workers in the informal economy, negatively affect the willingness to pay contributions.

Results of the urban survey indicate that 41.4% replied that they were prepared to contribute, but only 16.0% replied so in the rural survey. Furthermore, the amount that could contribute remains at a very low level.

### **(iii) Benefit design and social security priorities**

The benefits should be designed to meet the priority needs of workers in the informal economy. Whilst it is desirable to provide the full range of social security benefits<sup>23</sup>, the existing programs cannot provide the flexibility needed for workers in the informal economy. For example, the eligibility criteria for the Jamsostek work injury program are for injuries that occur at work and the disability provisions cover a prescribed list of injuries that are substantiated by employers and medical reports. Many informal economy workplaces could not fulfil the administrative requirements to determine that the injury occurred at work. For most informal economy workers the critical issue is a loss of capacity to work and hence loss of income and therefore a full 24-hour cover for injury would be more attractive and cost effective to administer. Based on the priority contingencies and resource constraint, the type and level of the benefits that are commensurate with the contribution need to be determined. It may be necessary to consider some form of graduated contribution (with prescribed minimum contributory earnings) and benefits to accommodate the variability in the income ranges of informal economy workers and their capacity to pay contributions.

### **(iv) Improvement in administration and enforcement**

The success of the coverage extension critically depends on the concurrent improvement of administrative capacity. This is critical not only because the volume of administrative tasks increases but also because those currently excluded are more likely to pose considerable problems of registration, compliance, collection of contributions, and record keeping. This issue will be discussed in more detail in the later section on the program development.

### **(v) Subsidy**

The national government budget is currently in deficit and the recent economic downturns will only exacerbate the situation. Some provincial governments are also experiencing economic difficulties particularly in the poorer provinces where the income from taxation is low. The initial indications are that the national budget would be unable to sustain subsidies for a comprehensive social security program thus the scheme should be in principle self-financing. However, a small partial subsidy for a single social security program such as death benefit could be a catalyst that attracts informal economy workers into one program and possibly to other insurance programs.

## **7.2. Social security assessment of the informal economy workers**

Formulation of the policies and strategies for extension should be based on the analysis of identification of the excluded individuals and the assessment of their priority needs of social security.

### **7.2.1. Classification of the informal economy workers**

Though the workers in the informal economy consist of heterogeneous groups, Table 7.1 attempts to classify the workers in the (urban) informal economy in terms of access to and stability of the place of employment and the resources. This classification could help policy planners to develop progressive measures to extend the social security cover to workers in the informal economy. It may also assist in the identification of the poor and vulnerable groups in the informal economy.

<sup>23</sup> The benefits provided by Jamsostek do not meet the minimum standards of ILO Convention No. 102

**Table 7.1. Categories of workers in the informal economy**

Category	Main Characteristic	Examples	Organisational Form	Labour force	Capital Stock	Use of Modern Technology
A	Highly mobile	<ul style="list-style-type: none"> <li>• Ambulant vendors</li> <li>• Sidewalk sales</li> <li>• Roadway newspaper and book sales</li> <li>• Casual cigarette vendors</li> <li>• Taxi-hailers</li> <li>• Parking assistants</li> </ul>	Unregistered Unlicensed	Single person	Minimal or zero	None
B	Mobile or home based	<ul style="list-style-type: none"> <li>• Kaki Lima food vendors</li> <li>• Bicycle taxis</li> <li>• Home food cooking</li> <li>• Simple handicrafts</li> </ul>	Unregistered Unlicensed	Single person	Small but visible	Very minimal
C	Semi-fixed or recognised operating zones	<ul style="list-style-type: none"> <li>• Street craft stalls</li> <li>• Warung food stalls</li> <li>• Ojek Motor cycle taxis</li> </ul>	Unregistered Informal licenses or rents	Single person or family labour	Modest, in fixed location	Relatively minor
D	Fixed location	<ul style="list-style-type: none"> <li>• Small shops</li> <li>• Motor workshops</li> <li>• Small Timber and Furniture makers</li> <li>• Stalls in indoor central markets</li> <li>• Traditional markets</li> </ul>	Unregistered Informal and formal licences	Mainly family labour with some additional employment	Moderate	Some modern technology (e.g. phones, faxes, power machinery)
E	Professional self employed, fixed or home based	<ul style="list-style-type: none"> <li>• Accountants</li> <li>• Medical practitioners</li> </ul>	Unregistered Licensed or Members of associations	Usually single operation with employees	Moderate	Some specialist modern technology

One suggestion derived from this table is that a realistic strategy would be to extend the scope of the coverage from relatively organised workers with more regular income (categories D and E) to highly mobile workers who live on a day-to-day basis (category A). For a more comprehensive mapping of the excluded workers in the informal economy, further research is necessary to look into the dimensions and characteristics of each category of informal economy workers.

### 7.2.2. Identification of priority needs and contributory capacity

It is evident from the results of the surveys of the informal economy workers that there is a high need for some form of social protection. The results confirm that health insurance is the highest priority whereas work injury and age benefits were also high priorities in the urban survey but old-age benefits and education in the rural survey. Whilst there is a demonstrated need for old-age benefits it seems that the premiums would be unaffordable to most informal economy workers unless there was some form of subsidy.

The social security needs of those in the informal economy differ according to their social and family status (women, children, youths, the elderly), the degree of hazard in the particular occupation (e.g. garbage scavengers, drivers of motor cycle taxis), the work setting (at home, on the street, in a sweat shop), the milieu (communities more than establishments), and their ability to make regular contributions to the insurance fund.

In trying to develop appropriate mechanisms to cover the risks borne by workers in the informal economy, it is important to understand the range and types of risks that are present and how they may be prioritized. The strategy on how the informal economy workers may adopt to manage these risks must be evaluated. This would

allow benefit packages and delivery systems to be designed that are fully responsive to the needs of workers in the informal economy.

The survey results suggest that there will be very limited capacity for rural and urban informal economy workers to afford about Rp. 25,000 per month for health insurance in addition to premiums for other programs. Whereas formal sector workers contribute only 2% and the employers contribute the remainder of around 11%, it would be difficult for workers in the informal economy without an employee-employer relationship to contribute the full amount without any form of cost sharing or subsidy.

### 7.3. Program development: options

The first issue in the program development is identifying the scheme that will cover the workers in the informal economy. Basically, there are three options. The first option is extending existing statutory social security schemes. The second option is to create a special scheme for the informal economy workers. The third option is to encourage the development of micro-insurance schemes providing basic and supplementary social security benefits.

#### 7.3.1. Extension of the existing social security schemes

##### *(i) Measures and recommendations*

The objective of this option is to bring all the workers with employer-employee relationships within the bounds of current legislation of the statutory social security schemes. Here we focus on Jamsostek since it is the largest national institutions capable of delivering an expanded social security programs and has a service network in all major provinces.

This option intends to remove the existing legislative restriction (Government Regulation No. 14, 1993), which limits the compulsory coverage to the formal sector enterprises with 10 or more workers and a monthly payroll of Rp. 1 million.

It is recommended that action plans be made to progressively reduce the minimum number of employees together with a suitable monitoring and evaluation mechanism. It is also recommended that the current criterion of the minimum payroll amount be examined. If this criterion is still necessary for practical purposes, the current amount should be reviewed and adjustment rules should be developed to allow for regular indexation in line with increase in general wage. In addition, the regular adjustment of the minimum payroll amount should also be linked with the adjustment of the ceilings of the contributory earnings. A more complete coverage of workers with employer-employee relationship could limit the special treatment for the remainder of truly informal economy workers. As a transition measure, existing public sector and military schemes should remain independent until a standardised social security scheme is established to provide a basic benefit for all workers and portability between schemes.

A shift of focus to smaller workplaces will require additional resources for the development and implementation of a program to reinforce the compliance with the regulations, which involves marketing, promotion, additional staffing, training, accommodation, IT programs and transport. The efficiency should also be enhanced to provide services for smaller workplaces. The contribution and benefit structure under the existing legislation cannot provide the flexibility needed for workers in the informal economy. In the short term it is more feasible for Jamsostek to develop a policy for informal sector workers<sup>24</sup> jointly with organized groups and private insurance companies by delivering flexible programs through local facilitators.

24 In its now defunct pilot trials in Rawamangun (East Jakarta) and Makassar (South Sulawesi), Jamsostek used the National Average Salary as the basis to calculate contribution premiums for the informal economy and self-employed workers (fishermen). It is reported that the pilot projects managed to cover about 50,000 workers.

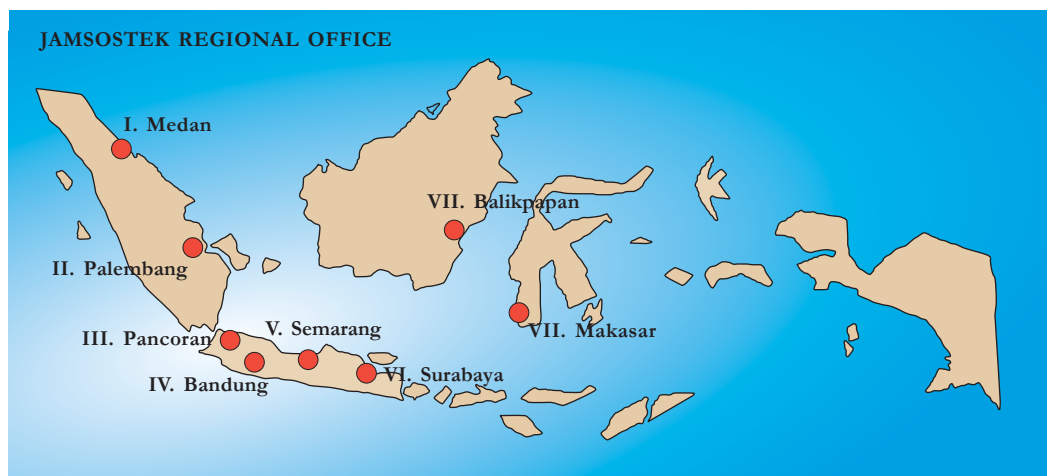
(ii) *Administrative capacity for Jamsostek to extend membership*

This section aims to obtain general indicators of the administrative capacity of Jamsostek for integrating additional contributors in small-sized enterprises.

**(a) Service delivery network**

The national service delivery network is based on 114 Branch offices located around the country. 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<sup>25</sup> as shown in Figure 7.1.

**Figure 7.1. Jamsostek Regional Office locations**



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 service delivery concept is based on group collections of contributions and this has shaped the organisational structure. Previous reports in this project have recommended that the focus should be changed more towards the individual member in terms of access to services, information, marketing and privacy. The ability to have direct contact with members, without using the employer as a broker is considered essential in the longer term. A cost estimate has not been made to undertake this change in focus but it is expected at a minimum that IT systems will have to be upgraded as well as changes to staffing and property models.

**(b) Jamsostek administrative costs**

In respect of the administration costs of Jamsostek, the following observations are made:

- During the year ended March 2001 (fiscal year 2000), the administrative costs that Jamsostek spent totaled Rp. 233 billion, which represents 9.45 % of total contributions<sup>26</sup> and 1.89 % of total funds in the investment portfolio, respectively.

25 Regions are numbered I to VIII from west to east and they are located around the major employment centres with four (4) Regional Offices and 61 Branch Offices on the most populous island, Java. 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. The grades are: class I – more than 150,000 active members; class II – 100, 000 active members; and class III – maximum of 50,000 active members.

26 It should be noted that since Jamsostek is liable to accounting rules applicable to private insurance companies, the income statement of Jamsostek records operations of three short-term insurance benefits only and form part of the income for purposes of the dividend. The old-age financial operations are treated separately in the balance sheet because the old-age program contributions are exempt from the dividend to the government (tax) and the balance in the provident fund is regarded as a liability.

- Dividing the total administrative and operating costs by the estimated number of active Jamsostek members (9,382,786) produces an estimated average administrative cost of Rp. 24,816 per year per active member for all programs.
- Separating the administrative costs by the individual programs is more difficult as Jamsostek does not keep its accounts in a form that separately identifies costs. However, an exercise that Jamsostek conducted in 1997 to build a cost allocation model produced the following tentative results on the relative share of the total administrative costs: old-age (JHT): 86.24%, employment injury (JKK): 2.98%, health (JPK): 1.64%, death (JKM): 1.28%. This result shows that the old-age program represents the most significant portion of the Jamsostek's administrative workload<sup>27</sup>.

The following Table 7.2 summarises the estimated potential administrative cost by transaction of collecting contributions and processing old-age benefit claims<sup>28</sup>. These estimates attempt to show the theoretical minimum costs per customer or transaction under the assumption that the collection of contributions is 100% of the active members. More costs will incur unless a full collection is achieved (a more realistic target would be 85%). These cost estimates may provide some indication on how Jamsostek will manage to collect potentially small contributions and the feasibility of extending contribution options to the remainder of the formal sector and ultimately to the informal economy.

**Table 7.2. Summary of estimated transaction costs of Jamsostek**

Estimated Key Transaction Costs	Monthly (Rp)	Yearly(Rp)
Collection of contributions per employer (12 contributions per year)	7,768	93,219
Collection of contributions per employee (based on average of 124 employees per employer)	63	751
Payment of old-age claims (per claim)	...	66,505

In the case of Jamsostek, the reasonable efficiency in administration is based on group collection from employers. Assuming there are on average 124 employees per employer, the average administrative cost for contribution collection per employee is about Rp. 63 per month or Rp. 751 per year. These costs would rise substantially for smaller-sized enterprises or if individual employees were to make contributions directly to Jamsostek as would be required for most of the self-employed and informal economy workers.

The employer group collection method should be retained as it has proven to be efficient; however additional group collection methods need to be devised if smaller enterprises and self-employed workers are included in the statutory membership of Jamsostek. This may include deputising a leader of organised groups (such as communities, micro-finance institutions or cooperatives) or agency (NGOs) as the collector of contributions. For this to work, suitable incentive such as payment of commission or fees for registration of members and collection and deposit of monthly contributions on behalf of individual contributors, or reduced contributions (by the administrative cost).

*(iii) Improvements in the administrative capacity of Jamsostek*

The extension of Jamsostek coverage should be accompanied with the improvements in the supporting administration capacity. A number of recommendations on the improvements in the administrative capacity

<sup>27</sup> Assuming this tentative cost allocation model, the administrative costs for the short-term insurance programs are estimated at 5.79% of the corresponding contributions; whilst the administrative costs for all programs is 9.45% of the total contributions.

<sup>28</sup> It should be noted that the administrative costs for death, health and employment injury programs are not included in this exercise. The health insurance fund, for instance, is relatively small compared to the old-age fund and much of the processing is outsourced to intermediaries. However, refinement of these estimates into a more accurate model that includes costing for other programs would be required.



of Jamsostek were made in the ILO Restructuring project. These improvements are critical to the future of Jamsostek as one of the key social security agencies and without these improvements expansion of the membership will be difficult to achieve or remain less efficient. The recommendations are summarised as follows:

**(a) Procedure and administration**

- The registration process needs to be enhanced to involve individual members;
- Compliance process should be the responsibility of Jamsostek with amendments to legislation required to allow social security inspectors to be managed by Jamsostek in order to improve compliance from the current 32.5% to a more reasonable target of more than 80%;
- Provident fund performance to improve the returns on investment and lower the relative administration cost to make the fund more attractive to members by increasing the long term benefits to members;
- Improvement of the benefits provided to members and to introduce new social security benefits in the medium term such as unemployment insurance, maternity benefits, regular pensions in lieu of lump sum payments, accident insurance and possible social assistance in the long term;
- Improved access to services by distributing access to remote areas by the use of part-time services, authorised agents, telephone services and further devolution of branch offices;
- Reviewing the business needs to improve targeting of services and needs to customer groups in the currently excluded employment sectors; and
- Developing a more effective marketing program to better inform the potential members about Jamsostek social security services, eligibility, benefits and procedures.

**(b) Information technology**

- Development and implementation of a unique numbering system for social security customers to minimise the risks of duplicate claims, redundant data and provide more accurate advice to members;
- Integration of the duplicate records that have been created by the multiple records that are produced when members change employers or branch offices;
- Development and implementation of a national index to enhance the record search process, transfers between branches, support the minimisation of duplicate records and obtain a national view of customer records; and
- Develop a new integrated registration process that uses additional data about individuals, includes a stringent proof of identity process and provides customers with their rights and obligations of membership.

The completion of these suggested improvements is a prerequisite for any projects that attempt the expansion of coverage.

*(iv) Migrant workers*

In the effort to extend the coverage of statutory social security schemes, particular mention must be made to the international migrant workers. In the context of globalization, cross border movements of workers in search of employment are likely to grow in the future. A growing number of Indonesian workers, a majority (72%) of whom are women, leave the country to work overseas. It is also estimated that certain number of migrant workers may come from the informal economy. However, migrant workers face multiple disadvantages in their working conditions, including limited legal rights (e.g. freedom of association and collective bargaining), discrimination, social exclusion, abusive and exploitative works, and lack of proper social protection.

There is a need for improved social protection for migrant workers. In this respect, the following issues should be addressed:

- Review the current policy to exclude migrant workers from Jamsostek and include them in the scheme or develop a programme that meets their needs; and
- Develop a partnership with the key agents in the process (Depnakertrans, employment agencies and Jamsostek) to provide social security cover to migrant workers. Incorporating the employment agencies as employers on the social security IT system could also provide the management information that is not currently available to Depnakertrans.
- Initiate steps to conclude multilateral and bilateral agreements with major receiving countries that ensure the maintenance of rights and equality of treatment on social security.

### 7.3.2. Special scheme for the informal economy workers

Given the current legislation and fund structure, it would be difficult to include a variable program which could cover all workers in the informal economy into the existing social security schemes. It may be more effective to create a new fund and contribution model for informal economy workers. In the case of Jamsostek, this could be achieved through the development of the Government regulations as mentioned in Article 4 (2) of Act No.3, 1992.

Recently the Indonesian Government has raised the degree of urgency in development of a new universal health insurance scheme and a series of discussion forums to support this strategy have been undertaken. National Social Security System Act stipulates the establishment of a national health insurance comprising contributory social health insurance for the formal sector workers, government subsidised care for the poor and a yet to be prescribed process for the informal economy.

#### *(i) Development of models for provision of social security to informal economy workers*

In order to develop a viable social security scheme for informal economy workers it will be necessary to develop models that provide meaningful benefits with affordable contributions. Implementation of such schemes needs to be progressive and take into account the wide variety of occupations, organizations and geographical distribution of the workers. The following prerequisites are recommended as a first step in the process of developing social security models for Indonesian informal sector workers.

- Select the executing agencies and identify risks to be covered by the scheme.
- Design the programs in terms of the benefits, services, contributions and management fees (including risk assessments). The programs should offer flexible options with a range of contribution rates and benefits to satisfy the needs and capacity of different groups and include at least injury, health, death, old-age and other voluntary savings schemes.
- Develop administrative procedure and service delivery models for the programs concentrating on group schemes but also providing options for individual and self-employed contributors. The models should include management information requirements to allow close monitoring and evaluation of the schemes. Develop a training strategy and programme for administrative staff.
- Define user requirements, analysis and design of an IT system with sufficient data that can be integrated into the unified IT system in the future.
- Design and develop the implementation and marketing strategy. Conduct a small-scale test of the suitability and sustainability of the programs.

Although a flexible approach that allows for more choices to the members will facilitate the entry of currently excluded workers, voluntary membership should be seen as a transitional measure to alleviate temporary

administrative and budgetary constraints. In the long term the government must accept its responsibility to provide for a minimum social security system for all citizens. Inequities between the personal contributions from formal sector employees and informal economy workers are huge which creates a sustainability problem for voluntary schemes. Voluntary membership carries with it some serious risks of adverse selection, limitations in the pooling principle, drift of formal sector workers away from their current schemes into a cheaper informal scheme and ease of withdrawal from a voluntary scheme.

*(ii) A proposed self-funded program*

In extending social security to the informal economy workers, without government assistance by means of a contribution subsidy the success of any scheme will depend critically on being able to attract sufficient numbers of contributors. Findings of the surveys have suggested that around 42% of urban informal economy workers and 16% of rural informal economy workers may contribute to a suitable scheme. It is recommended that a large-scale (possibly area based) pilot scheme be conducted as the precursor to full-scale implementation of the scheme across the country.

The pilot programme would need to incorporate the elements of the above recommendations and be able to identify the most suitable program and administrative models for future implementation. The outcomes of the pilot would be to develop associations of informal economy workers based on trust, meaningful social security programmes and an administration capable of collecting contributions and payment of benefits that can be replicated across the country.

A successful large-scale pilot scheme promoted as part of the social security reforms and supported by international agencies would improve the understanding of social security in local communities, highlight the community needs and stimulate the extension of social security coverage in Indonesia. A partially subsidised scheme would demonstrate government commitment to improve the enrolment rates and thus ensure a higher probability of long-term success and sustainability.

### 7.3.3. Promoting micro-insurance schemes

*(i) Basic ideas*

In the past *top down* government administered models have achieved little penetration into the informal economy and experienced low sustainability. This suggests that more emphasis should be placed on the development of decentralized *bottom up models* that will drive the design of programmes and services to the workers in the informal economy. Promotion of micro-insurance schemes based on group contributions would need to be considered as an alternative interim measure for informal economy workers. The underlying idea is to use the micro-insurance schemes managed by communities or other organized groups as a vehicle to provide social security for the informal economy. It should be noted that the target groups are those who earn above the poverty line but are outside the formal social security schemes. In many cases, the micro-insurance schemes are connected with income generating or micro-finance activities.

There are several advantages that support the success of this approach. Firstly, such schemes are expected to be more accountable with the commitment by the leader and participation in management and sense of ownership by members. Secondly, these schemes can have benefits and contributions structure that is more responsive to the needs of the members.

Self-help groups supported by trained facilitators are seen as the key to successful implementation of a social security program for informal economy workers. The benefits of self-help groups are:

- Able to be developed in geographical, economic or occupational groups in accordance with the best practices. (experience from local trials suggest geographic groupings may offer the best potential for sustainability);

- Facilitators and group leaders can assist in the marketing and explanation of social security provisions to members of the group;
- Local access to information and assistance about contributions and claims thereby minimizing a major complaint about access to services;
- Mutual support by the facilitator and other group members to maintain continuity in the scheme during personal difficulty experienced by individual members, and
- Essential to the efficient collection of contributions by field officers visiting the groups on a regular basis thus maintaining low administrative cost of group contributions to the agency,

An inherent concern about micro-insurance schemes is its fragility. Lack of necessary preconditions has led many micro-insurance schemes to have a short life span before they become insolvent, usually as a result of imprecise assessment of risk, failure in investment and inadequate delivery of services. Smaller schemes may be less profitable, have higher administrative overheads, provide lower benefits, increased risk of insolvency and may in the longer term jeopardise the development of a future government subsidised system by legitimatising evasion through support of informal arrangement. It is also desirable that the number of schemes is kept small and the overall system does not become fragmented with a proliferation of schemes that will become difficult to control.

Therefore, to extend the coverage by means of micro-schemes while ensuring their sustainability, the Government is expected to play an important role as a coordinator and as the guarantor of last resort. In the long run, therefore, the most sustainable arrangement may be to bring these decentralized schemes under the Government umbrella in which self help groups can facilitate registration of members and collection of contributions.

In addition to micro-insurance, private insurance companies such as Bumiputra<sup>29</sup> could provide the cover for injury and health, injury and death independently or in competition with micro-insurance schemes. Competitive rates for life insurance and injury insurance could be achieved for a scheme that covered informal economy workers given an adequate pool of contributors and appropriate re-insurance and risk guarantees.

*(ii) Relevant trials and experiences in micro-insurance schemes for the informal economy*

In contrast to the approaches assuming the Government as a primary social security provider, the approach to extend the coverage by means of decentralised micro-insurance schemes is relatively new. There does not exist a standard model and each trial is to some extent of experimental nature. In the following we summarise a few of these experiences based on this approach in Indonesia and other countries to demonstrate the lessons derived from them.

**(a) Klaten trial for health insurance**

A field trial of the integrated healthcare strategy conducted in Klaten, Central Java during the period from 1994 to 1998<sup>30</sup>. One of the few innovations attempted in the project was to establish a cooperative, called Health Insurance Members Cooperative, which purchases health insurance for its member cooperatives at primary level from private insurance and the National Managed Healthcare Strategy organisation, called Dana Sehat JPKM. By organizing a large, pre-enrolled group and a single point of premium collection, the cooperative could achieve the economies of scale necessary to provide affordable insurance cover and have a power to negotiate lower premium rates and stimulate competition for their members.

The Health Insurance Members Cooperative continues to function more than 5 years after external assistance ceased. It is reported that much of the initial membership was lost subsequent to the end of the project apparently due to the economic conditions. Recent reports indicate that they are slowly re-expanding their membership and have established a new branch office in central Java.

29 The Bumiputra policy produced for Ojek drivers requires an annual premium of Rp. 10,000 and provides for a death benefit of Rp. 1,000,000 which will be doubled for accidental death.

30 It should be noted that health insurance for the informal economy was one component of the Klaten trial that also covered delivery of health services. Here we present the findings relevant to the health insurance only.

The following are some views of the consumers surveyed in a market research conducted in 1996 as part of the social marketing effort.

- In general, the majority of respondents preferred private health care providers to public despite the higher costs. Long queues and poor service were the most numerous complaints about the public health system;
- The majority of both Askes and Jamsostek member were not familiar with the details of the benefits of their schemes or even not aware of what percentage of their wages was deducted;
- Contributions were regarded as just another tax;
- Few of the dropouts from the government sponsored health insurance program DS-JPKM left due to dissatisfaction but rather to misinformation and administrative failures; and
- Almost all respondents expressed a willingness to rejoin though some with the proviso that the scheme needed to be more professionally managed.

**(b) Ministry of Social Affairs – Askesos**

The Ministry of Social Affairs (Depsos) is promoting social security for informal economy workers through Askesos (Assuransi Kesejahteraan Sosial) program. This was initiated by Depsos in 1996 with the objective of empowering the communities to manage their community risks with saving encouragement. Main legal provisions of Askesos scheme is the Social Assistance Law No.6 of 1974, as well as Director General's Decree of Social Assistance No. 16/BJS/2003 on the implementation of Askesos pilot project and Director General's Decree of Social Assistance No. 17/BJS/2003 on the technical guidance on the implementation of Askesos pilot project.

Askesos is a voluntary scheme that operates over a 3-year savings and insurance period. Its primary target is the married breadwinners who are between 20-60 years old and earn less than Rp. 300,000 per month<sup>31</sup>. The process will involve collection of monthly contributions of Rp. 5,000 by the appointed NGO field officers and these will be deposited in a Bank BRI savings account. The cumulative balance (nominal balance with no interest) will be refunded at the termination of the 3-year contract (if one pays full contributions, the refundable balance is Rp. 180,000). During the insured period, members will be able to receive cash payments of Rp. 100,000 in the event of sickness and accident (maximum once per year) and funeral benefit (the amount is Rp. 200,000 times the number of contribution years) in the event of death of the breadwinner before 55 years of age. The NGOs received considerable subsidies from the Government for providing cash insurance benefit and the operation expenses<sup>32</sup>.

A pilot project of Askesos scheme was first implemented in 1997 in 7 provinces<sup>33</sup>. The ministry commissioned qualified NGOs<sup>34</sup> in conjunction with local organizations to establish, train and manage the self-help groups of the informal economy and to collect contributions and repayment of the loans. The operation of the pilot project was suspended in 2000 due to the closure of the Ministry under the reform of the previous administration. Nevertheless, some of the NGOs in West Java, East Java, DKI Jakarta and South Sulawesi operated the schemes with limited budgets from provincial government social service units (kanwil depsos, formerly regional divisions of MOSA) until the reactivation of Depsos in 2001. In 2003, Depsos implemented pilot Askesos project in 16 provinces with 25 NGOs. In total, around 5,000 members were estimated to join the pilot project. Depsos plans to expand the pilot areas in 20 provinces in 2004.

31 Typical Askesos members are door to door vegetable peddlers (tukang sayur), tricycle drivers (tukang becak), motor-cycle drivers for transport (tukang ojeg); vendors in street stalls (pedagang kaki lima); smaller shops and door to door traditional medicinal herb vendors (mostly women) (tukang jamu gendong).

32 The estimated subsidy for an average NGO is at least 46% of the contributions. For more detailed analysis of the fund flow of Askesos, see "The ILO findings and recommendations on the Social Welfare Insurance Program (Askesos) of Indonesia "

33 North Sumatera (Medan city); DKI Jakarta; West Java (Bandung city); East Java (Surabaya city); South Kalimantan (Banjarmasin city); South Sulawesi (Makassar city) and Maluku (Ambon city).

34 These NGOs include, among others, Aisyiah teladan foundation of Medan; Sarana tridharma foundation of Jakarta (Yastri) and Setiabudi utama foundation of Bandung (Yasbu) and Muhammadiyah foundation of Makassar and Catholic churches foundation of Ambon.

The pilot project in Jamika village located in Bojongloa Kaler sub-district in Bandung, achieved relative success in the fund accumulation and in the members coverage as compared to the rest of the pilot sites. The project was implemented with the help of an NGO, Yayasan Setiabudi Utama (Yasbu) but the provincial government social service unit officers also coordinated with village heads and rural moslem leaders to increase the members coverage. The coverage of members under Yasbu was still few at 112 members with funds accumulated at Rp. 21,486,008 by 2000. Recently, the members in Askesos has increased to 174 (of which 90 were women) by 2003 as the geographical coverage was extended to Kiaracondong, Cicadas and Ujung Berung, while the funds accumulation by 2003 was Rp. 26,235,000. Contributions are collected directly from the members at the beginning of every month. The collection is commonly done at the monthly gathering of reading the holy Koran or arisan which is a regular social gathering. The Askesos collectors not only collect the contributions but also act as field officers (called petugas lapangan) to promote Askesos scheme. One provider employs up to 10 field officers. The voluntary field officers are usually the noted people in the village such as former village heads or religious leaders.

The expected claim rate is about 10% of total membership each year. In practice, the number of beneficiaries is much lower than expected, except for 2002 and 2003 where 27 and 14 members received sickness payment due to the epidemic of diseases. It should be noted that there has been no claim of accident benefit in Bandung and in Makassar. These figures indicate that there is still a low awareness among members of their entitlement and thus there is a need for a socialization campaign and promotion of this program.

A survey on the opinion of Askesos was conducted with 1,218 respondents from 2000-2003. Main findings of the survey are as follows:

- 82.76% of respondents agreed that the program is meaningful and helpful for the vulnerable people.
- 80.46% of the respondents replied that the program is sufficiently understandable.
- 83.33% said the benefit level is sufficient and 84.48% replied that the level of premium is high.
- 75.86% replied that claim procedure is simple and 81.03% replied that the relationship with the provider of Askesos is very good.
- 93.68% agreed that Askesos can be converted into social assistance (Jamkesos) program.

In addition, the following recommendations were made by the respondents.

- There should be more benefits for health promotion, education (scholarship or school fee assistance), maternity allowance, and loans for starting small business under Askesos program.
- Customer service needs to be improved and extension of the members needs to be intensified. Some requested information brochure or booklet on Askesos, and organisation of regular meetings of the shareholders.
- Some members are ready to contribute Rp. 10,000 per month for higher benefits. Some member said they could pay the premium annually.
- Single workers and family members should be eligible for the membership. Death benefit should be provided until 60 years of age.
- The interest accrued on the premium should also be refunded.
- There was suggestion that the members should be grouped by occupation.

In the absence of any other forms of social protection for the informal economy workers, Askesos provide them an access to social protection. Although its scope is limited, benefits that members receive at times of contingencies could relieve their adverse impact and prevent them from falling into deeper poverty. The project also contributes to increase the awareness of social security in the communities, civil society organizations and the government.

Askesos can be seen as one approach to poverty reduction through the provision of social protection for the marginally poor households, linked with other decentralized local development programs. Its uniqueness is to

utilize the organized groups (NGOs) as an outreach mechanism. It can also be seen as a transition measure to extend social security until the national system is prepared to cover them. However, as a social protection system, the Askesos scheme inevitably involves a number of vulnerabilities and problems - in particular, weak administration, heavy public subsidy and poor monitoring and supervision. The correction of these problems is a prerequisite for a full scale replication of the schemes across the country at a larger scale.

### (c) International experience

In most developing countries about 10-20% of the workforce is covered by formal social security programs, another 30-40 % live below the poverty line and the remaining 40-60% above the poverty line but not contributing (or entitled) to social security schemes. In Indonesia about 16% of workers are contributors and 18% of population live below the poverty line.

There have been a number of international trials aimed at extending the existing formal social security systems into the informal economy. These schemes target at the vulnerable poor and the informal economy workers and that great emphasis is placed on developing self-help groups as the basis for the organisational models for these schemes. In most schemes the government has a supporting role in terms of promotion, guarantor of some funds and contributor of subsidies in other cases. In almost all of these schemes international technical assistance has been provided for policy design, governance and in some cases to provide direct subsidies to promote and maintain the schemes. The other major stakeholders are various NGO's, cooperatives, trade unions and private insurers.

Research on the selected case studies shows the following typical characteristics of social protection programs for workers in the informal economy:

- All of the programs are voluntary and it is very difficult to administer compulsory membership to the schemes.
- Benefits and contributions are tailored to the needs of the individual groups who decide on their priorities.
- Programmes are flexible and offer a range of benefits options with contributions that reflect the affordability range of the target groups.
- Organisation of groups is essential to achieve a critical mass to minimise risk, maximise efficiency in collection of contributions and payment of benefits.
- In most cases some form of re-insurance or pooling of funds is essential if the schemes are to be covered for unforeseen risks and be sustainable in the long term.
- In some instances governments have accepted their responsibility for social security by providing contribution subsidies for some elements of insurance and in guaranteeing the funds against high risk (e.g. natural disasters etc).
- Most schemes relied on some form of partnership with private insurers or banks to provide the range of services; and
- Service delivery was usually provided by special agencies focused on the particular scheme or by NGOs supervised by a government agency.

#### *(iii) Remarks on the capacity of cooperatives for managing insurance*

There has been a strong cooperative movement in Indonesia. Ministry of Cooperatives and Small and Medium Enterprises as well as a number of NGOs<sup>35</sup> are devoted to the establishment and maintenance of cooperatives, self-help and economic groups. In 1998 the Ministry of Cooperatives reported that there were 59,441 cooperatives registered in Indonesia with 46,420 of them considered to be active and representing 20 million

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35 Examples of NGO that specialises in the establishment and maintenance of self-help groups include, among others, Bina Swadaya, Binadaya Nusaindah and Assuransi Jiwa.

members. Of these cooperatives, 16% were farmers' cooperatives or *Koperasi Unit Desa* (KUD) representing about half of total membership of cooperatives. The government has had an active role in the development, management and regulation of cooperatives dating from the late 1950s and extended in the 1970s with the integrated rural development strategy. The Presidential Decree No.2 of 1978 granted monopoly status to the KUD as dual function crop production and purchase units.

A recent ILO report has noted that in general, government support to strengthen cooperatives has often proven not to be very effective and not sustainable, particularly in the area of business cluster development. However it concludes that cooperatives and associations tend to operate better in a less formal ad hoc environment. A number of reports have implied that overlaying a social security scheme onto the extensive cooperative network may provide a solution to group collection of contributions in the informal economy. However, this concept should proceed with caution and not before a detailed study to confirm the suitability of the current organisation and regulations of cooperatives.

Managed by government employees and without external control, the KUD became a major field of appropriation for local officials and rich farmers. In the late 1980s and early 1990s, the widespread corruption and high losses incurred by subsidized credit programs had become a major public issue. If the preferential business deals and government subsidies were removed 30% of these cooperatives would be liquidated. The Ministry of Cooperatives acknowledged that one third of the loss had been appropriated by government officials.<sup>36</sup> In the 1990s reforms were introduced that allow for liberalisation of the cooperative regulations but despite the local pressure, the transformation from state controlled to independent cooperatives is unlikely to occur in the short term because of the entrenched culture in the cooperatives. The suitability of cooperatives as a vehicle for delivery of social security needs closer examination as to their reliability, costs and reputation in the community.

*(iv) A proposed pilot project*

It is evident that some experimentation is required to identify suitable programmes, administrative models, appropriate partnerships and the effectiveness of various models. These models could make use of some of the existing self-help groups that are already established and steps could be taken to extend those groups and to develop new groups based on the most successful methods currently in use.

From the international and Indonesian experiences and from the results of the surveys the following principles are recommended for the development of strategies for extension of social security to the informal sector.

- Self-help groups should be the core of the social security models.
- Groups should have external local facilitators from the social security agency and selected NGO and be supported by local administrations and other local partners.
- Contributions and benefits should incorporate flexibility to cope with the situation of the informal economy workers.
- Subsidies from all levels of government would encourage contributors and offset the high contribution to personal income ratio which is a feature of micro-insurance schemes,

In conjunction with the other reforms of social security in Indonesia it would be highly desirable to conduct a pilot project to extend social security opportunities to the informal economy workers and their families. The suggested group insurance schemes in Indonesia are:

- Area based and to a lesser degree occupation based;
- Able to provide mutual support for members;
- Have identified group leaders; and
- Externally supported by trained facilitators.

36 Source Holloh, 2003



Local government resources and facilities could support these area-based group schemes and concentration of effort could be directed at the selected area<sup>37</sup>. Extension of successful schemes to other areas would then be easier than for piecemeal-distributed models.

The process of conducting a pilot scheme should consider the following key points:

- Identify the priority social security needs of informal economy workers in the target areas (the methodology developed for the needs assessment survey can be applied for this purpose);
- Develop a flexible programme for the informal sector that could allow a mix of options for cover to accommodate individual needs and capacity to pay premiums,
- Develop the administrative arrangements for establishment of the fund, collection of contributions and process of claims;
- Develop a model of linking the micro-insurance schemes with the national social security schemes;
- Determine the role of the key stakeholders in national and local governments, NGOs and the service delivery agency;
- The potential for subsidies to be provided to contributors to assist in the promotion of the schemes and to support their short-term sustainability;
- Establish appropriate options for pooling of funds, re-insurance and guarantees against unanticipated situations;
- Improve knowledge and capabilities of local resources in implementing social security system; and
- The length of the trial and the future of the scheme after the trial period.

The pilot scheme could assess the suitability and effectiveness of:

- The programmes and schemes for segments of the informal economy such as urban, rural and for occupational groupings;
- Administrative processes and costs;
- Group dynamics such as group building, management and sustainability,
- Training of group leaders and group facilitators;
- Providers of services, local government, social security organisations, NGOs and private companies;
- Financial impact of fully self-funded and subsidised schemes; and
- Most appropriate models for extension to other areas.

## 7.4. Concluding remarks

There is a large unmet need for social security in the informal economy in Indonesia. The extension of coverage to the urban and rural informal economy will require the efforts to (i) identify the social security needs for different groups of workers, (ii) determine their social risks, (iii) develop programs based on risks, income and needs, (iv) identify group collection and support mechanisms, (v) pooling and reinsurance to promote sustainability, and the appropriate role for the private sector and governments at all levels.

Results of the rural and urban informal economy surveys have demonstrated that a carefully structured program may be able to attract sufficient contributors to make a contributory scheme viable in terms of numbers, however the dispersed nature of the contributors, the variability of their income, their capacity to pay and the

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<sup>37</sup> ILO has been implementing a global programme, Strategies and tools against social exclusion and poverty (STEP), which aims to extend social protection, in particular health insurance, to the excluded and the poor by promoting the development of community-based micro health insurance schemes and strengthening their administrative capacities.

administration issues suggest that solutions will not be simple to develop or to maintain. The extension of social security to the informal sector is feasible if one could develop a viable scheme that is flexible, affordable, sustainable and well marketed and understood.

To achieve the over-arching goal of universal coverage of social security, this report has developed three policy options and formulated proposed pilot projects. The first option is a gradual extension of the statutory social security schemes such as Jamsostek and Askes to all workers with employer-employee relation. Improvement in the administrative capacity and governance of these schemes is a key to the success of this option. The second option is to adapt the schemes to include benefit programs specifically designed to meet the needs and contributory capacity of self-employed workers. The third option is to promote micro-insurance schemes. To ensure the sustainability of the micro schemes, these schemes should be linked with the government that is expected to play a coordinating role and to act as the guarantor of last resort. These policy options should be translated into action in an integrated manner.

Limited population coverage of social security is one of the major deficits for the fulfilment of Decent Work and the extension of social protection coverage is given a high priority in the Indonesia Tripartite Action Plan for Decent Work 2002-2005. The recently passed National Social Security System Act (SJSN Act) also stipulates the progressive achievement of the universal coverage, although the detailed implementation process needs to be worked out further.

International experience tells that the process of extension is complex and that it usually requires a long time (sometimes several decades) to achieve the universal coverage. It is not accomplished without strong long-term commitment and continuous efforts of the key stakeholders. To contribute to the national goal of universal coverage of social security, the ILO stands ready to provide further technical assistance as a follow up to the recommendations made in this report. In particular, it would be prepared, subject to financial resources being available, to assist in the formulation of effective strategies for the implementation of projects proposed in the present report.

# Annex A. Urban Informal Economy Survey: Statistical Tables

Table A.1. Occupations by area and sex

Occupation	Jakarta		Bandung		Yogyakarta		TOTAL		TOTAL
	M	F	M	F	M	F	M	F	M+F
Fashion Production	9	9	0	0	38	34	47	43	90
Vehicle workshops	106	1	72	3	7	-	185	4	189
Home based food industry	7	6	0	0	2	1	9	7	16
Manufacturer	5	1	1	0	51	16	57	17	74
Furniture workshop	39	0	9	0	131	13	179	13	192
Services	5	0	147	1	12	13	164	14	178
Driver	0	0	27	0	1	-	28	0	28
Salon	0	0	114	24	-	-	114	24	138
Restaurant	181	48	0	49	-	2	181	99	280
Trader	16	25	4	0	42	57	62	82	144
Stationery vendor	21	5	2	1	11	3	34	9	43
Building materials vendor	27	9		1	-	-	27	10	37
Garden plants vendor	29	3	37	0	5	10	71	13	84
Small goods vendor	58	22	0	12	1	4	59	38	97
Furniture trader	63	2	0	0	29	6	92	8	100
Craft, artist	0	0	0	0	210	79	210	79	289
Other	0	0	0	0	16	4	16	4	20
Sub-Total	566	131	413	91	556	242	1535	464	
<b>Total</b>		<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>	<b>1999</b>

Table A. 2. Monthly incomes by area and sex

Monthly Income (self)(Rp.)	Jakarta		Bandung		Yogyakarta		TOTAL		TOTAL	TOTAL%
	M	F	M	F	M	F	M	F	M+F	
< 200,000	31	9	104	19	302	157	437	185	622	31.12%
200,001 – 400,000	123	37	175	28	142	38	440	103	543	27.16%
400,001 – 600,000	120	37	79	21	41	21	240	79	319	15.96%
600,001 – 800,000	87	22	32	10	19	6	138	38	176	8.80%
> 800,000	205	26	23	13	52	20	280	59	339	16.96%
Sub-Total	566	131	413	91	556	242	1535	464		
<b>Total</b>		<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>	<b>1999</b>	<b>100%</b>

Table A.3. Possible social security contributions by area

If Compulsory, how much Social Security contributions could you pay (Rp.)	Jakarta	Bandung	Yogyakarta	TOTAL	TOTAL%
< 10,000	291	113	483	887	44.37%
10,001 – 20,000	215	93	212	520	26.01%
20,001 – 30,000	106	67	26	199	9.95%
30,001 – 40,000	54	19	50	123	6.15%
> 40,000	25	0	14	39	1.95%
Could not pay	6	212	13	231	11.56%
<b>Total</b>	<b>697</b>	<b>504</b>	<b>798</b>	<b>1999</b>	<b>100%</b>

Table A.4. Preparedness to pay voluntary contributions by area

Prepared to Pay voluntary Social Security contributions	Yes	%	No	%
Jakarta	346	41.79%	351	29.97%
Bandung	207	25.00%	297	25.36%
Yogyakarta	275	33.21%	523	44.66%
Total	828	100.00%	1171	100%
Total %		41.42%		58.58%

Reasons for Not Wishing to Contribute	No.	%
Not Entitled	70	6.06%
Not obliged	60	5.19%
No Trust in scheme	76	6.58%
High Contributions	200	17.32%
Not attractive	214	18.53%
Covered by relatives	3	0.26%
No need	162	14.03%
Need information	111	9.61%
Don't know	217	18.79%
Other	42	3.64%
<b>Total</b>	<b>1155</b>	<b>100%</b>

Table A.5. Desired social security cover and priority by sex

Desired Social Security Coverage	Male	%	Female	%	Highest Priority	%
Work Injury Insurance	777	20.69%	230	22.55%	398	21.18%
Health Insurance	719	19.15%	224	21.96%	841	44.76%
Maternity Insurance	898	23.91%	170	16.67%	27	1.44%
Age Retirement Insurance	520	13.85%	174	17.06%	359	19.11%
Death Insurance	841	22.40%	222	21.76%	254	13.52%
<b>Total</b>	<b>3755<sup>38</sup></b>	<b>100%</b>	<b>1020</b>	<b>100%</b>	<b>1879</b>	<b>100%</b>

38 It should be noted that this value is the sum of all of the responses, not all respondents included every category as their need. The total number surveyed is shown in the priority column where respondents only chose one category as their priority.

Table A.6. Preferred social security provider by sex

Who Should Provide Social Security Coverage	Male	%	Female	%	Total	%
Individual (self)	692	45.08%	228	49.14%	920	46.02%
Employer	379	24.69%	98	21.12%	477	23.86%
Government	212	13.81%	58	12.50%	270	13.51%
Shared by All	136	8.86%	49	10.56%	185	9.25%
Other	116	7.56%	31	6.68%	147	7.35%
<b>Total</b>	<b>1535</b>	<b>100%</b>	<b>464</b>	<b>100%</b>	<b>1999</b>	<b>100%</b>

Table A.7. Likely social security provider by sex

Who Will Now Provide for Social Security Needs	Male	%	Female	%	Total	%
Insurance	6	0.39%	1	0.22%	7	0.35%
Employer	184	11.99%	48	10.37%	232	11.62%
Government	24	1.56%	22	4.75%	46	2.30%
Family	837	54.56%	291	62.85%	1128	56.48%
Self	256	16.69%	58	12.53%	314	15.72%
No one	119	7.76%	20	4.32%	139	6.96%
No Answer	108	7.04%	23	4.97%	131	6.56%
<b>Total</b>	<b>1534</b>	<b>100%</b>	<b>463</b>	<b>100%</b>	<b>1997</b>	<b>100%</b>

Table A.8. Education profile by sex

Education Profile	Male	%	Female	%	Total	%
None	35	2.28%	20	4.31%	55	2.75%
Primary	231	15.05%	84	18.10%	315	15.76%
Secondary	525	34.20%	126	27.16%	651	32.57%
Tertiary	637	41.50%	188	40.52%	825	41.27%
Trade	107	6.97%	46	9.91%	153	7.65%
<b>Total</b>	<b>1535</b>	<b>100%</b>	<b>464</b>	<b>100%</b>	<b>1999</b>	<b>100%</b>

Table A. 9. Employment status by area and sex

Employment Status	Jakarta		Bandung		Yogyakarta		TOTAL		TOTAL M+F	TOTAL%
	M	F	M	F	M	F	M	F		
Employee	12	22	114	18	367	144	493	184	<b>677</b>	<b>33.87%</b>
Self Employed	553	108	227	73	186	94	966	275	<b>1241</b>	<b>62.08%</b>
No Answer	1	1	72	0	3	4	76	5	<b>81</b>	<b>4.05%</b>
Sub-Total	566	131	413	91	556	242	1535	464		
<b>Total</b>		<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>	<b>1999</b>	<b>100%</b>

Table A.10. Membership of cooperatives or other organizations by area and sex

Member of Cooperative or other Organization	Jakarta		Bandung		Yogyakarta		TOTAL		TOTAL M+F	TOTAL %
	M	F	M	F	M	F	M	F		
No membership	538	119	342	75	503	202	1383	396	1779	88.99%
Member	16	7	19	5	43	28	78	40	118	5.90%
No Answer	12	5	52	11	10	12	74	28	102	5.10%
Sub-Total	566	131	413	91	556	242	1535	464		
<b>Total</b>		<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>	<b>1999</b>	<b>100%</b>

Table A.11. Existing social security cover by area and sex

Social Security Coverage	Jakarta		Bandung		Yogyakarta		TOTAL		TOTAL M+F
	M	F	M	F	M	F	M	F	
Jamsostek	21	0	7	2	13	3	41	5	46
Other Social Security	142	21	18	9	34	18	194	48	242
None	403	110	398	70	509	221	1310	401	1711
Sub-Total	566	131	423	81	556	242	1545	454	
<b>Total</b>		<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>	<b>1999</b>

Table A.12. Marital status by area and sex

Marital Status	Jakarta		Bandung		Yogyakarta		TOTAL		TOTAL M+F
	M	F	M	F	M	F	M	F	
Married	435	98	279	69	355	173	1069	340	1409
Single	119	30	134	22	201	69	454	121	575
No Response	12	3	-	-	-	-	12	3	15
Sub-Total	566	131	413	91	556	242	1535	464	
<b>Total</b>		<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>	<b>1999</b>

Table A.13. Age structure by area and sex

Age	Jakarta		Bandung		Yogyakarta		Total				Total M + F	
	M	F	M	F	M	F	M	%	F	%	M+F	%
<20	11	7	27	8	39	24	77	5.02	39	8.41	116	5.80
21 – 30	113	31	174	23	260	99	547	35.64	153	32.97	700	35.02
31 – 40	218	40	117	29	131	65	466	30.36	134	28.88	600	30.02
41 – 50	155	43	72	22	67	32	294	19.15	97	20.91	391	19.56
51 – 60	58	8	20	9	46	16	124	8.08	33	7.11	157	7.85
>60	11	2	3	-	13	6	27	1.76	8	1.72	35	1.75
Sub-Total	566	131	413	91	556	242	1535	100	464	100	1999	100
<b>Total</b>	<b>697</b>	<b>504</b>	<b>798</b>	<b>1999</b>								

Table A.14. Married respondents and dependents by area and sex

Number of Dependents	Jakarta		Bandung		Yogyakarta		Total				Total M + F	
	M	F	M	F	M	F	M	%	F	%	M+F	%
None	9	10	6	-	7	5	22	2.94	15	6.12	37	3.72
1	42	12	27	10	23	17	92	12.28	39	15.92	131	13.18
2	154	31	104	24	83	46	341	45.53	101	41.22	442	44.47
3	105	24	71	15	118	51	294	39.25	90	36.73	384	38.63
4	69	14	40	6	69	31	178	23.77	51	20.82	229	23.04
5	33	4	21	8	35	15	89	11.88	19	7.76	108	10.87
>5	23	3	10	6	20	8	53	7.08	11	4.49	64	6.44
Sub-Total	435	98	279	69	355	173	749	100	245	100	994	100
<b>Total</b>	<b>533</b>		<b>348</b>		<b>528</b>		<b>994</b>					

Table A.15. Employment satisfaction by area and sex

Satisfaction Level	Jakarta		Bandung		Yogyakarta		Total				Total M + F	
	M	F	M	F	M	F	M	%	F	%	M+F	%
No Answer	15	2	24	5	12	-	51	3.32	7	1.51	58	5.80
Low + Vlow	117	33	215	27	73	54	405	26.38	114	24.57	519	35.02
Sat+High+Vhigh	434	96	174	59	471	188	1079	70.29	343	73.92	1422	30.02
Sub-Total	566	131	413	91	556	242	1535	100	464	100	1999	100
<b>Total</b>	<b>697</b>		<b>504</b>		<b>798</b>		<b>1999</b>					

Table A.16. Self employed and number of employees by area and sex

Number Of Employees	Jakarta		Bandung		Yogyakarta		Total				Total M + F	
	M	F	M	F	M	F	M	%	F	%	M+F	%
None	153	35	142	46	53	16	348	36.02	97	35.27	445	35.86
1	53	22	29	7	29	16	111	11.49	45	16.36	156	12.57
2 - 4	231	41	42	11	61	39	334	34.58	91	33.09	425	34.25
5 - 9	81	10	14	8	19	15	114	11.80	33	12.00	147	11.85
10 - 14	21	0	0	1	8	2	29	3.00	3	1.09	32	2.58
15 - 19	7	0	0	0	6	2	13	1.35	2	0.73	15	1.21
>20	7	0	0	0	10	4	17	1.76	4	1.45	21	1.69
Sub-Total	553	108	227	73	186	94	966	100	275	100	1241	100
<b>Total</b>	<b>661</b>	<b>300</b>	<b>280</b>	<b>1241</b>								





# Annex B. Rural Informal Economy Survey: Statistical Tables

Table B.1. Occupations by sex

Profession	Male	Female	Total	%
Fisherman	506	44	550	25.36%
Farmer	1236	244	1480	68.23%
Retail	16	0	16	0.74%
Others	103	14	117	5.39%
No Answer	3	3	6	0.28%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>			

Table B.2. Monthly incomes (self) by sex

Monthly Income (Self) (Rp)	Male		Female		Total	
	No.	%	No.	%	No.	%
No Answer	63	3.38	8	2.62	71	3.27
< 200,000	417	22.37	136	44.59	553	25.50
200,000 - 400,000	873	46.83	98	32.13	971	44.77
400,000 - 600,000	389	20.87	45	14.75	434	20.01
600,000 - 800,000	83	4.45	15	4.92	98	4.52
> 800,000	39	2.09	3	0.98	42	1.94
<b>Sub-Total</b>	<b>1864</b>	<b>100</b>	<b>305</b>	<b>100</b>	<b>2169</b>	<b>100</b>
<b>Total</b>					<b>2169</b>	

Table B. 3. Monthly incomes (family) by sex

Monthly Income (Family) (Rp)	Male	%	Female	%	Total	
					No.	%
No Answer	105	5.63	33	10.82	138	6.36
< 200,000	316	16.95	79	25.90	395	18.21
200,000 - 400,000	559	29.99	77	25.25	636	29.32
400,000 - 600,000	670	35.94	78	25.57	748	34.49
600,000 - 800,000	160	8.58	30	9.84	190	8.76
> 800,000	54	2.90	8	2.62	62	2.86
<b>Sub-Total</b>	<b>1864</b>	<b>100</b>	<b>305</b>	<b>100.00</b>	<b>2169</b>	<b>100</b>
<b>Total</b>	<b>2169</b>					

Table B.4. Possible social security contributions by sex

If Compulsory, how much Social Security contributions could you pay (Rp.)	Male		Female		Total		
	No.	%	No.	%	No.	%	
No Answer	92	4.94	13	4.26	105	4.84	
< 10,000	586	31.44	51	16.72	637	29.37	
10,000 - 20,000	364	19.53	32	10.49	396	18.26	
20,000 - 30,000	53	2.84	6	1.97	59	2.72	
30,000 - 40,000	12	0.64	3	0.98	15	0.69	
> 40,000	14	0.75	0	0.00	14	0.65	
None	743	39.86	200	65.57	943	43.48	
<b>Sub total</b>	<b>1864</b>	<b>100</b>	<b>305</b>	<b>100</b>	<b>2169</b>	<b>100</b>	
<b>Total</b>						<b>2169</b>	

Table B.5. Preparedness to pay voluntary contributions by sex

Prepared to Pay Voluntary Social Insurance Contributions	Male	Female	Total	%
No Answer	144	15	159	7.33%
Yes	254	29	283	13.05%
No	1436	253	1689	77.87%
Maybe	30	8	38	1.75%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>				<b>2169</b>

Table B.6. Desired social security cover and priority by sex

Desired Social Security	Male		Female		Total		% Yes
	Yes	No	Yes	No	Yes	No	
Work Injury Ins.	413	1447	84	218	497	1665	10.16%
Health Ins	993	867	191	111	1184	978	24.21%
Maternity	136	1724	27	275	163	1999	3.33%
Aged	1077	783	207	95	1284	878	26.26%
Death Ins	321	1539	70	232	391	1771	8.00%
Unemployment Benefits	106	1754	21	281	127	2035	2.60%
Housing	118	1742	17	285	135	2027	2.76%
Education	990	870	119	183	1109	1053	22.68%
No Answer		4		3		7	0.00%
<b>Total</b>	<b>4154</b>	<b>10730</b>	<b>736</b>	<b>1683</b>	<b>4890</b>	<b>12413</b>	<b>100%</b>

Table B. 7. Preferred social security provider by sex

Who Should Provide for your Social Security	Male	Female	Total	%
No Answer	154	15	169	7.79
Individual	423	55	478	22.04
Employer	154	21	175	8.07
Government	624	122	746	34.39
Shared by All	369	40	409	18.86
Don't know	138	51	189	8.71
Other	2	1	3	0.14
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100</b>
<b>Total</b>				<b>2169</b>

Table B.8. Likely social security provider by sex

Who will Provide for your Social Security ?	Male	Female	Total	%
No Answer	23	3	26	1.20%
Self	1144	183	1327	61.18%
Savings	309	36	345	15.90%
Family	371	78	449	20.70%
Govt	17	5	22	1.01%
No One	0	0	0	0
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>			

Table B.9. Education profile by sex

Education	Male	%	Female	%	Total	%
No answer	9	0.48%	0	0.00%	9	0.41%
None	389	20.87%	122	40.00%	511	23.56%
Primary	1002	53.76%	149	48.85%	1151	53.07%
Secondary	215	11.53%	8	2.62%	223	10.28%
Tertiary	244	13.09%	26	8.52%	270	12.45%
Trade Course	5	0.27%		0.00%	5	0.23%
<b>Sub-Total</b>	<b>1864</b>	<b>100%</b>	<b>305</b>	<b>100%</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>					

Table B.10. Employment status by sex

Status of Employment	Male	Female	Female	%	Total	%
Self Employed	862	46.24%	106	34.75%	968	44.63%
Regular Employee	57	3.06%	14	4.59%	71	3.27%
Casual Worker	603	32.35%	111	36.39%	714	32.92%
Unpaid Worker	132	7.08%	46	15.08%	178	8.21%
Employer	198	10.62%	26	8.52%	224	10.33%
No Answer	12	0.64%	2	0.66%	14	0.65%
<b>Sub-Total</b>	<b>1864</b>	<b>100%</b>	<b>305</b>	<b>100%</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>1865</b>					

Table B.11. Membership of cooperatives or other organizations by sex

Member of Cooperative	Male	Female	Total	%
No	1571	266	1837	84.69%
Health Insurance	10	1	11	0.51%
KUD	245	29	274	12.63%
Insurance	36	9	45	2.07%
Jamsostek	1		1	0.05%
Others	1		1	0.05%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100.00%</b>
<b>Total</b>	<b>2169</b>			

Table B.12. Existing social security cover by sex

Social Security Program Membership	Male	Female	Total	%	(If Yes) Type of Program	Male	Female
No	1799	303	2102	96.91%	Work Injury Ins.	11	
Yes	45	1	46	2.12%	Health Ins	7	
No answer	20	1	21	0.96%	Aged	8	1
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>	Death Ins	1	
<b>Total</b>	<b>2169</b>				Education	5	
					No answer	13	
					<b>Sub-Total</b>	<b>45</b>	<b>1</b>
					<b>Total</b>	<b>46</b>	

Table B.13. Marital status by sex

Marital Status	Male	%	Female	%	Total	%
No Answer	10	0.54%	7	2.30%	17	0.78%
Married	1744	93.56%	271	88.85%	2015	92.90%
Single	110	5.90%	27	8.85%	137	6.32%
<b>Sub - Total</b>	<b>1864</b>	<b>100%</b>	<b>305</b>	<b>100%</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>					

Table B.14. Age structure by sex

Age	Male	Female	Total	%
< 20	74	21	95	4.38
21 - 30	393	52	445	20.52
31 - 40	530	93	623	28.72
41 - 50	453	70	523	24.11
51 - 60	275	49	324	14.94
61 -70	108	18	126	5.81
> 71	29	2	31	1.43
No Answer	2		2	0.09
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100</b>
<b>Total</b>	<b>2169</b>			

Table B.15. Married respondents and dependents by sex

Number of Dependents	Male	Female	Total	%	Children
0 or N/A	221	59	280	13.08%	0
1	201	40	241	11.26%	241
2	444	69	513	23.97%	1026
3	394	51	445	20.79%	1335
4	242	46	288	13.46%	1152
5	164	23	187	8.74%	935
> 5	169	17	186	8.69%	1116
<b>Sub-Total</b>	<b>1835</b>	<b>305</b>	<b>2140</b>	<b>100%</b>	<b>5805</b>
<b>Total</b>	<b>2140</b>				

**Table B.16. Approximate size of local community by sex**

Approx Size of local Community	Male	Female	Total	%
100 - 1000	577	84	661	30.47%
1001 - 5000	842	122	964	44.44%
> 5001	311	77	388	17.89%
No Answer	134	22	156	7.19%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>		
<b>Total</b>	<b>2169</b>			

**Table B.17. Self income pattern and sale of produce by sex**

Income Pattern	Male	Female	Total	%
Market	401	65	466	21.48%
By Cooperation	17	1	18	0.83%
Direct Sale	1091	137	1228	56.62%
Self Consume	303	89	392	18.07%
On Contract	34	5	39	1.80%
Barter	10	2	12	0.55%
No Answer	8	6	14	0.65%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>			

**Table B.18. Risk of loss of income by sex**

The risk of losing boat/land	Male	Female
No Answer	1299	201
High	7	0
Small	13	0
None	545	104
Sub - Total	1864	305
<b>Total</b>	<b>2169</b>	

**Table B.19. Members of cooperatives or other groups by sex**

Member of Cooperative	Male	Female	Total	%
No	1571	266	1837	84.69%
Health Insurance	10	1	11	0.51%
KUD	245	29	274	12.63%
Insurance	36	9	45	2.07%
Jamsostek	1		1	0.05%
Others	1		1	0.05%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100.00%</b>
<b>Total</b>	<b>2169</b>			

Table B.20. Land area (farmers) by sex

Land Area (Farmers only)	Male	Female	Total	%
> 5 Ha	47	0	47	3.50%
1.0 - 5.0 Ha	131	17	148	11.04%
0.5 - 1.0 Ha	236	47	283	21.10%
< 0.5 Ha	716	147	863	64.35%
<b>Sub-Total</b>	<b>1130</b>	<b>211</b>	<b>1341</b>	<b>100%</b>
<b>Total</b>	<b>1341</b>			

Table B.21. Percentage of income received as cash by sex

% of Income in Cash	Male	Female	Total	%
No Answer	110	53	163	7.51%
100%	338	78	416	19.18%
80%	492	64	556	25.63%
60%	401	39	440	20.29%
40%	270	30	300	13.83%
20%	136	16	152	7.01%
< 20%	117	25	142	6.55%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>			

Table B.22. Predominant enterprise in the area by sex

Predominant Enterprise in Area	Male	Female	Total	%
Fishing	586	56	642	29.60%
Rice Paddy	263	52	315	14.52%
Mixed Farming	573	116	689	31.77%
Subsistence Farming	146	20	166	7.65%
Plantation	13	2	15	0.69%
Retail	70	15	85	3.92%
No Answer	213	44	257	11.85%
<b>Sub-Total</b>	<b>1864</b>	<b>305</b>	<b>2169</b>	<b>100%</b>
<b>Total</b>	<b>2169</b>			

# Annex C. Rural Economy Survey Questionnaires (English)

## Administration notes for Data Collectors

The purpose of this survey is to provide initial mapping on the social security situation for rural people. It aims to get a broad view of their current social security needs and views and their capacity or willingness to contribute to a scheme.

You should anticipate a limited understanding of social security by the respondents and you may have to spend a few minutes at the outset to set the scene with basic information. The suggested briefing is shown below. This briefing should be supplemented with the additional information provided by your coordinator.

*Your contact person*   Cirebon/Semarang area – *Bapak Carunia Firdausy*  
Bandung/Pengandaran area – *Bapak Bambang Purwok*

The ILO wishes to thank you for your assistance in completing this survey.

## Suggested Briefing to Participants

Thank you for agreeing to participate in this survey

The purpose of the survey is to collect information that will be used to make proposals to the government on how it could be possible to extend social security entitlements to the rural community. This survey is anonymous and *no records of your personal information* that could identify you will be taken. The data will only be used by ILO in the form of statistics.

### Social Security

Social security is a system where people can be insured against life events that result in loss or restriction in income. These programs aim to provide income support and other assistance to people in times of need. The types of life events that are usually covered for are:

- Unemployment,
- Maternity,
- Illness and invalidity,
- Accident or death,
- Widows and sole parents, and
- Age.

Other types of support can be provided to assist in education, housing and to raise children. People who have paid their insurance can receive a certain level of assistance that has been determined by the administrators of the program. In most countries this is funded by small contributions from individuals, by employers and in some cases by the government. The funds are usually kept in trust for all of the contributors and the investment earned from the funds helps to improve the level of benefits people can receive.

Your help will be invaluable in the aim to provide social security benefits to everyone.

## Notes



## SOCIAL SECURITY SURVEY

<b>1. Personal Information</b> a. Age _____ b. Married _____ c. Single _____ d. # of dependents _____ e. Sex M _____ F _____	<b>8. Membership of Organizations</b> a. Rural cooperative _____ b. Insurance _____ c. Jamsostek _____ d. Health Insurance _____
<b>2. Education</b> a. None _____ b. Primary _____ c. Secondary/Tertiary _____ d. Trade _____	<b>9. Income Pattern. How do you sell produce?</b> a. Market _____ b. Cooperative _____ c. Direct sale _____ d. Own use _____ e. Contract _____ f. Barter _____
<b>3. Farmer/ Fisherman</b> a. Do you own your land/boat? Yes _____ No _____ b. How much rent do you pay? _____ c. Danger of being evicted/losing boat? High, _____ Small, _____ None _____ d. Nature of Crops grown/fish caught _____	<b>10. % of Income is cash (rest goods &amp; food)?</b> 100, __ 80, __ 60, __ 40, __ 20, __ < 20, __
<b>4. Land area (Ignore for fisherman)</b> a. > 5.0 ha _____ b. 1.0 s/d 5.0 ha _____ c. 0.5 s/d 1.0 ha _____ d. < 0.5 ha _____	<b>11. Which months do you earn most income?</b> J __ F __ M __ A __ M __ J __ J __ A __ S __ O __ N __ D __
<b>5. Employment Status</b> a. Self Employed _____ b. Regular Employee _____ c. Casual worker _____ d. Unpaid worker _____ e. Employer _____	<b>12. Which months do you earn least income?</b> J __ F __ M __ A __ M __ J __ J __ A __ S __ O __ N __ D __
<b>6. Occupation</b> a. Fisherman _____ b. Farmer _____ c. Retail _____ d. Other _____	<b>13. Monthly Income – Self</b> a. > 800.000 _____ b. 600.000 – 800.000 _____ c. 400.000 – 600.000 _____ d. 200.000 – 400.000 _____ e. < 200,000 _____
<b>7. Do you have insurance on crops/ boats</b> Ya _____ Tidak _____	<b>14. Monthly Income – Family</b> a. > 800.000 _____ b. 600.000 – 800.000 _____ c. 400.000 – 600.000 _____ d. 200.000 – 400.000 _____ e. < 200.000 _____
	<b>15. Do you receive regular income?</b> Yes, _____ No _____
	<b>16. Any months with no income?</b> Yes, _____ No _____



Mark as a number 1 to 8.  
# 1 top priority

**17. How do you pay costs in those times?**

a. Gift from Family -----

b. Personal savings -----

c. Sell some assets -----

d. Borrow money -----

e. Assistance govt/NGO -----

f. Accumulate Debt -----

**18. Are you a member of a Social Security program?**

a. Work Injury -----

b. Health Insurance -----

c. Maternity -----

d. Aged/Retirement -----

e. Death/Life Insurance -----

f. Unemployment -----

g. Housing -----

h. Education Plan -----

**19. What Social Security programs would do you need?**

a. Work Injury -----

b. Health Insurance -----

c. Maternity -----

d. Aged/Retirement -----

e. Death/Life Insurance -----

f. Unemployment -----

g. Housing -----

h. Education Plan -----

**20. What is your priority order Social Security program?**

a. Work Injury -----

b. Health Insurance -----

c. Maternity -----

d. Aged/Retirement -----

e. Death/Life Insurance -----

f. Unemployment -----

g. Housing -----

h. Education Plan -----

**21. Would you contribute to Social Security?**

Yes, \_\_\_\_\_ No \_\_\_\_\_ Maybe \_\_\_\_\_

**22. Who should contribute for your Social Security?**

a. Individual (self) -----

b. Employer -----

c. National Government -----

d. Prov. Government -----

e. Local Government -----

f. Shared by all -----

g. Don't know -----

h. Other -----

**23. How much (per month) could you pay for Social Security?**

Could not pay -----

< 10.000 -----

10.000 – 20.000 -----

20.000 – 30.000 -----

30.000 – 40.000 -----

> 40.000 -----

**24. Without social security, who will look after you when you are sick, aged, injured etc?**

a. Self -----

b. Savings -----

c. Family -----

d. Government -----

e. No one -----

**25. Demographic Information:**

**Name of town/ village/ location**

-----

**26. Predominant enterprise in the area**

a. Fishing -----

b. Rice paddy -----

c. Mixed farming -----

d. Subsistence farming -----

e. Plantation -----

f. Retail, market centre -----

**27. Remote location:** Yes \_\_\_\_\_ No \_\_\_\_\_

**28. Built-up area:** Yes \_\_\_\_\_ No \_\_\_\_\_

**29. Approx size of local community (people):** \_\_\_\_\_

**30. Approx distance to nearest large town:**

Km \_\_\_\_\_ Hours \_\_\_\_\_

**31. Other comments or Feedback:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Interviewer: \_\_\_\_\_

\_\_\_\_\_, /Date: \_\_\_\_\_ December 2003



# Annex D. Rural Economy Survey Questionnaires (Bahasa Indonesia)

## SURVEI JAMINAN SOSIAL MASYARAKAT PETANI DAN NELAYAN

<b>1. Informasi pribadi</b>	<b>7. Apakah Anda melakukan asuransi panen/ sampan?</b>
a. Umur _____ b. Kawin _____ c. Tidak kawin _____ d. Jumlah tanggungan _____ e. Jenis kelamin L _____ P _____	Ya _____ Tidak _____
<b>2. Pendidikan</b>	<b>8. Apakah Anda mengikuti atau menjadi keanggotaan?</b>
a. Tidak sekolah _____ b. SD _____ c. SLTP/SMU _____ d. Kursus _____	a. KUD, _____ b. Asuransi, _____ c. Jamsostek, _____ d. Asuransi kesehatan _____
<b>3. Petani/ Nelayan</b>	<b>9. Pola pendapatan. Bagaimana Anda menjual hasil produksi?</b>
a. Apakah Anda memiliki lahan atau sampan? Ya _____ Tidak _____ b. Berapa uang sewa rumah/sampan per bulan yang Anda bayar? _____ c. Bagaimana dengan risiko pengurusan/hilangnya sampan: Sering, _____ kadang2, _____ jarang _____ d. Panen/tangkapan ikan apa saja yang telah diperoleh? _____	a. Dipasarkan, _____ b. Melalui koperasi, _____ c. Dijual langsung, _____ d. Dipergunakan sendiri, _____ e. Berdasarkan kontrak, _____ f. Barter _____
<b>4. Luas tanah (abaikan untuk nelayan)</b>	<b>10. Berapa prosentase pendapatan tunai dan sisanya apa dalam bentuk barang?</b>
a. > 5.0 ha, _____ b. 1.0 s/d 5.0 ha, _____ c. 0.5 s/d 1.0 ha, _____ d. < 0.5 ha _____	100, __ 80, __ 60, __ 40, __ 20, __ < 20, __
<b>5. Status pekerjaan</b>	<b>11. Pada bulan bulan apa saja Anda menerima pendapatan terbanyak?</b>
a. Bekerja sendiri, _____ b. Karyawan tetap, _____ c. Pekerja tidak tetap, _____ d. Pekerja tidak menerima upah/kerja srabutan, _____ e. Majikan _____	(Pilih dari Januari s/d Desember)  J __ F __ M __ A __ M __ J __ J __ A __ S __ O __ N __ D __
<b>6. Profesi:</b>	<b>12. Pada bulan bulan apa saja Anda menerima pendapatan pas pasan?</b>
a. Nelayan, _____ b. Petani, _____ c. Pengecer, _____ d. Lain lain. _____	(Pilih dari Januari s/d Desember)  J __ F __ M __ A __ M __ J __ J __ A __ S __ O __ N __ D __
	<b>13. Pendapatan individual per bulan:</b>
	a. > 800.000, _____ b. 600.000 – 800.000, _____ c. 400.000 – 600.000, _____ d. 200.000 – 400.000, _____ e. < 200,000 _____
	<b>14. Pendapatan keluarga per bulan:</b>
	a. > 800.000, _____ b. 600.000 – 800.000 _____

- c. 400.000 – 600.000, \_\_\_\_\_  
 d. 200.000 – 400.000, \_\_\_\_\_  
 e. < 200.000 \_\_\_\_\_

**15. Apakah Anda menerima pendapatan tetap?**

Ya, \_\_\_\_\_ Tidak \_\_\_\_\_

**16. Apakah Anda tanpa pendaptan setiap bulan?**

Ya, \_\_\_\_\_ Tidak \_\_\_\_\_

**17. Bagaimana Anda membiayai kehidupan keluarga?**

- a. Tabungan pribadi, \_\_\_\_\_  
 b. Menjual beberapa asset, \_\_\_\_\_  
 c. Meminjam uang atau pemberian dari famili \_\_\_\_\_  
 d. Bantuan pemerintah atau LSM, \_\_\_\_\_  
 e. Utang \_\_\_\_\_

**18. Apakah Anda sebagai peserta program?**

- a. Jaminan kecelakaan kerja, \_\_\_\_\_  
 b. Jaminan pemeliharaan kesehatan \_\_\_\_\_  
 c. Persalinan, \_\_\_\_\_  
 d. Hari tua, \_\_\_\_\_  
 e. Jaminan kematian, \_\_\_\_\_  
 f. Pengangguran, \_\_\_\_\_  
 g. Perumahan, \_\_\_\_\_  
 h. Pendidikan ketrampilan \_\_\_\_\_

**19. Program program jaminan sosial apa saja yang Anda perlukan?**

- a. Jaminan kecelakaan kerja, \_\_\_\_\_  
 b. Jaminan pemeliharaan kesehatan \_\_\_\_\_  
 c. Persalinan, \_\_\_\_\_  
 d. Hari tua, \_\_\_\_\_  
 e. Jaminan kematian, \_\_\_\_\_  
 f. Pengangguran \_\_\_\_\_  
 g. Perumahan, \_\_\_\_\_  
 h. Skim pendidikan \_\_\_\_\_

**20. Dari program jaminan sosial di atas apa saja yang Anda prioritas?**

- a. Jaminan kecelakaan kerja, \_\_\_\_\_  
 b. Jaminan pemeliharaan kesehatan \_\_\_\_\_  
 c. Persalinan, \_\_\_\_\_  
 d. Hari tua, \_\_\_\_\_  
 e. Jaminan kematian, \_\_\_\_\_  
 f. Pengangguran \_\_\_\_\_  
 g. Perumahan, \_\_\_\_\_  
 h. Skim pendidikan \_\_\_\_\_

**21. Apakah Anda membayar iuran program jaminan sosial?**

Ya, \_\_\_\_\_ Tidak \_\_\_\_\_ Boleh jadi \_\_\_\_\_

**22. Siapa yang seharusnya berhak membiayai program jaminan sosial Anda?**

- a. Masing masing individual, \_\_\_\_\_  
 b. Pemberi-kerja (majikan), \_\_\_\_\_  
 c. Pemerintah pusat/propinsi/kabupaten, \_\_\_\_\_  
 d. Semuanya bayar iuran, \_\_\_\_\_  
 e. Tidak tahu, \_\_\_\_\_  
 f. Lain lain \_\_\_\_\_

**23. Berapa besarnya iuran jaminan sosial yang harus Anda bayar per bulan?**

- Tidak bayar; \_\_\_\_\_  
 < 10.000; \_\_\_\_\_  
 10.000 – 20.000; \_\_\_\_\_  
 20.000 – 30.000; \_\_\_\_\_  
 30.000 – 40.000; \_\_\_\_\_  
 > 40.000 \_\_\_\_\_

**24. Tanpa jaminan sosial, siapa yang menjamin Anda bila sakit ,menghadapi hari tua dan mengalami kecelakaan?**

- a. Biaya sendiri; \_\_\_\_\_  
 b. Tabungan pribadi; \_\_\_\_\_  
 c. Bantuan keluarga; \_\_\_\_\_  
 d. Pemerintah \_\_\_\_\_

**25. Informasi demografi: Nama kota/desa/lokasi**

\_\_\_\_\_

**26. Kebanyakan perusahaan yang beroperasi di daerah ini:**

- a. Perikanan; \_\_\_\_\_  
 b. Penggilingan padi; \_\_\_\_\_  
 c. Macam2 tanaman; \_\_\_\_\_  
 d. Tanaman tertentu; \_\_\_\_\_  
 e. Perkebunan; \_\_\_\_\_  
 f. Warung dan swalayan; \_\_\_\_\_

**27. Lokasi terpencil:** Ya, \_\_\_\_\_ Tidak \_\_\_\_\_

**28. Daerah pedesaan:** Ya, \_\_\_\_\_ Tidak \_\_\_\_\_

**29. Jumlah warga masyarakat:** \_\_\_\_\_

**30. Jarak dengan kota:** \_\_\_\_\_

**31. Saran atau rekomendasi:**

Pewawancara: \_\_\_\_\_

\_\_\_\_\_, /Tanggal: \_\_\_\_\_ Desember 2003

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**For more information, please contact us at:**

**ILO Subregional Office for South-East  
Asia and the Pacific**

19<sup>th</sup> Floor, Yuchengco Tower, RCBC Plaza  
6819 Ayala Avenue, 1229 Makati City  
P.O. Box 4959 Makati City, Philippines  
Tel. (632) 580 9900  
Fax. (632) 580 9999  
E-mail: [manila@ilomnl.org.ph](mailto:manila@ilomnl.org.ph)  
Website: [www.ilo.org/manila](http://www.ilo.org/manila)

**ILO Jakarta Office**

Menara Thamrin Level 22  
Jl. M. H. Thamrin Kav. 3  
Jakarta 10250, Indonesia  
Tel. (62 21) 391 3112  
Fax. (62 21) 310 0766  
E-mail: [jakarta@ilo.org](mailto:jakarta@ilo.org)  
Website: [www.ilo.org/jakarta](http://www.ilo.org/jakarta)