



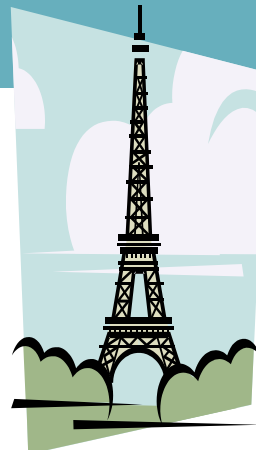
Policy Option on the Extension of Coverage of the Informal Sector Workers to National Social Security

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1. AN OVERVIEW

- a. social protection includes the transformation of the informal sector to formal economy with labor intensive but failed due to lack of policy coordination,
- b. Social protection is a systemic approach which requires a policy coordination among the Ministerial Institutions supervising the informal sector to achieve economic security for the working society.
- c. Implementation of national social security system (NSSS) in the future with no employment means a decreasing coverage of employees. If not, it means that there will be no protection for the operation of NSSS in the future.
- d. Extension of universal coverage in NSSS shall include the informal sector,
- e. Social security with no free health care for the poor will make more people to be poor to be sick, while social security with no pension plan will make more poor elderly.

2. UNDERSTANDING OF NATIONAL SOCIAL SECURITY SYSTEM

- a. It's a protection governance for all population against social, economic and employment risks in order for them to be entitled to the benefits both in cash in kind.
- b. NSSS is designed systematically and operated by the national social security agency based on Law No 24 of 2011 to prevent the (working) people from poverty due to losses of income and life as a result of sickness, maternity, work-injury, premature death, lay-off and old age
- c. Pillars of social protection for the operation of NSSS which needs to be met by the government:
 - i. Job-creation throughout direct investments,
 - ii. Transformation of the informal economy to formal employment,
 - iii. Improvement of wage quality and create descent work,
 - iv. Empowerment program for the vulnerability,
 - v. Financing of social security based on a contributory plan by the members.

- e. Facilities required for the operation of social security
 - i. Establishment of active labor market,
 - ii. Building health facilities for the patients,
 - iii. Preparation of capital and financial markets,
 - iv. Training and empowerment for the vulnerability.

- f. Principles of social security as good governance
 - i. Solidarity principle as implemented in pay as you go,
 - ii. Compulsory coverage by the social security law,
 - iii. Not for profit in term of organizing the programs,
 - iv. Transparency in operating the programme and managing the funds,
 - v. Accountability in report,
 - vi. Portability in delivery of services.

- g. Sources of social security financing:
 - i. Employee-employer contributions
 - ii. Government budget for PBI.

3. FACTORS INFLUENCING LOW COVERAGE IN SOCIAL SECURITY

- a. Problem of widely range of wages between 1:16 and 1:53
- b. Large numbers of informal workers with an average of 66.27%
- c. Low wage of the formal sector workers at more than 60%
- d. Applicability of outsourced work in the formal employment
- e. No employment security for current employees.
- f. Long implementation of social security with no pension plan,
- g. Lack of social protection floor (SPF) for the poor and vulnerable people,
- h. Shortage of government budget for law enforcement.
- i. Lack of labour inspector in the Ministry of Manpower and Local Office of Manpower.

4. PROBLEMS OF COVERAGE FOR ALL IN INDONESIA

- a. One of the difficulties in extending coverage of members in the current social security was due to large numbers of the informal workers amounting to almost 70% of LF.
- b. Another crucial problem of the informal sector workers was uncertain sustainability of their earnings.
- c. The current social security programmes are designed to protect for the active employees in the formal employment,
- d. The informal workers were definitely not as the poor even not as vulnerable people while those employed in the informal sectors were unregistered, temporary and low even unpaid work thereby causing earning uncertainty to happen with their work environment,
- e. According to the Manpower Law No 13 of 2003, the definition of employee includes the informal sector, which means that the informal sector workers are not as the poor worker.

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5. POLICY OPTION FOR THE EXTENDING COVERAGE OF THE INFORMAL SECTOR WORKERS TO NSSS

- a. Due to the characteristics of the informal sector among others, as unregistered entities by the authorized institutions, low and even unpaid workers, so the policy option which needs to be taken as follows:
 - Transforming the informal sectors in stages as a legal entity for the protection of their workers
 - Empowering the informal labour in order to sustain for their earnings
 - Create more labour intensive jobs in order to absorb more informal workers
 - The financing of their social protection in NSSS is based on the contribution which will be collected by the National Social Security Agency for Health
 - Prepare a tough selection for poor informal workers in order for them to have access to PBI if possible
- b. By NSSS Law, the employees undergoing layoff until six months are still entitled to health care that this will be treated the same for the informal workers.
- c. Programmes of NSSS suitable for informal workers are health care, death and compulsory saving plan

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