



# Social Security and JAMSOSTEK

Back in May 2007, Hotbonar Sinaga had been in the role of President Director of PT Jamsostek (Persero) for just three months when he undertook (quite happily) to address the International Business Chamber (organized by the Indonesian Netherlands Association).

In August 2011 he repeated the favour – an opportune time given the controversy surrounding efforts to put in place the body required to manage the proposed national social security system.

Remember, we have an umbrella law seeking to put in place a single national security programme – Law 40/2004 – enacted in the dying moments of the Megawati government. That is perhaps part of the problem – the current government feels no sense of ownership. But more

to the point, it idealistically sought to replace everything now in place. This has proved to be a practical impossibility – fine though the intention may have been, and in line with the aspirations of the ‘one size fits all’ international brigade.

What do we have in place? This can be summarized as follows:

The problem which employers face is that termination payments are designed to be a pre-payment of

BENEFICIARIES	PROGRAMME	PROVIDER	FUNDING
Private workers	Workers compensation/death insurance, old age provident fund	PT Jamsostek	Members (through their employers)
	Health insurance	PT Jamsostek	Members (through their employers)
	Pension (voluntary schemes)	Employer	Employers
Civil servants (and retired military & police)	Pension (no workers compensation, old age, death)	PT Taspen	Mainly government
	Health insurance	PT Askes	Mainly government
Military & police	Pension	PT Asabri	Mainly government
	Health	No benefits – facilities are provided by military & police hospitals	
Poor/unemployed	Health assistance	Ministry of Health	Taxes
	Cash	Ministry of Social Affairs	Taxes

(and substitute for) unemployment benefits. This is understandable given the absence of an unemployment pension. The unemployed face an even bigger problem. But it takes away the flexibility which is essential to a successful free market economy.

A proposal being mooted was that termination benefits become an insurance matter. Pak Hotbonar told us in 2007 that a premium of 20% would be needed to fund this benefit. The scheme never proceeded – companies need to make their own arrangements to cover their exposure to this contingent liability.

But when the public reads (Tempo, 10 August) that Nazaruddin provided BPN with a facilitation payment of Rp 5 billion to issue the land certificate to the Ministry of Youth and Sports for the National Sports Centre being built south of Jakarta on Mt Hambalang, the public is entitled to wonder if there isn't the money to better fund legitimate needs.

And quite legitimately, Apindo (and some unions) have demanded that while it considers a national security scheme, the government leaves Jamsostek alone (even given its shortcomings).

### Jamsostek

When he spoke with us in 2007, Jamsostek had 82,000 employers with 7.7 million workers enrolled. They contributed Rp 6 trillion to the provident (old age) fund and Rp1.6 trillion in social insurance premiums. It was providing benefits totaling Rp 3.4 billion annually.

Today (as at 2010) Jamsostek has 224,892 employers registered (with 133,580 actively contributing), with 31.7 million members workers enrolled (of whom 9.3 million workers are active).

Jamsostek has assets of Rp 102.6 trillion (Rp 49.6 trillion in 2006), liabilities to members of Rp 95.8 trillion, and a profit (in 2010) of Rp 1.5 trillion (Rp 0.7 trillion in 2006).

Hotbonar stated in 2007 that challenges he faced arose from:

- The fact that he has no powers of enforcement and three Ministries are involved in programme implementation: Manpower, Finance and SOE.
- There is no effective coordination between ministries.

He repeats this now. The significant improvement now made is that government recognizes that funds held by Jamsostek are in effect in trust (dana amanah), and that

therefore no dividend is now due to or paid to government. (The last dividend – of about one quarter of profit - was paid in 2006).

### A national system?

So where are we headed? Law 40/2004 provides that there be a single national social security system. Hotbonar does not think it will ever happen. There are questions as to whether all need the same benefits, indeed whether the current benefits are appropriate to be continued anyway. He is clear that foreign workers need not be included – they generally have 'home' programmes covering them.

There must be coordination between Law 40/2004, Law 11/2009 (providing social assistance to the poor) and Law 32/2004 (on regional autonomy). With regard to the latter, in so many contexts, problems are created by the insistence of elected district leaders (bupati) that they answer to no-one except the people who 'elected' them – and they deny the rights of anyone outside the district to tell them what to do. But at the same time they shirk their responsibilities to the nation as a whole. But this is for another story.

### National Provider

The issue right now is bogged down in the issue of forming the managing authority (BPJS) required by the law. The President has appointed eight ministries to resolve the issue – but there is no one with statutory power to coordinate. The new 'deadline' put in place by DPR for agreeing on the law to put in place the BPJS is 21 October 2011. The proposal currently under consideration is that there be two BPJS – one for short term programmes (work health and health programmes) and one for long term programmes (provident funds and pension schemes). The government's stated priority is to concentrate on providing health related benefits appropriate to all parties first (through a combination of existing providers - Jamsostek, Askes and Asabri - and a new provider for the poor and unemployed. Then to look to other benefits (which Hotbonar cannot see happening).

The implication is that therefore there is no prospect of benefit programmes being put in place to take the pressure off the requirement on employers to continue to have to provide significant termination benefits. The lack of flexibility in employment law is set to remain for the foreseeable future. And the quandary of those who simply resign remains - they are left with nothing other than what they have been able to negotiate privately.