

Building Indonesian Social Security

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East West Center, June 2010

Outline

- Objective
- Current Social Security
- Public transfers in Indonesia
- Principles of Social Security based on new law
- Research direction

Objective

- To examine how the current law on social security in Indonesia conform with current support system of the Indonesian (elderly) using NTA methodology
- To examine the sustainability of national social security system using simulation (future studies)

Current Social Security in Indonesia

- Still emphasize on the social assistance for the poor and not a comprehensive social security for all Indonesian
- Low enrollment of the national insurance system and relatively limited to the civil servant/armies

Current Social Security in Indonesia

	Government Officials/ Armies		Private Sectors
Legal Aspect	Law No. 8/1978		Law No. 14/1969
Members	Armies and Policies	Civil servant	Gov. Managed Insurance (Jamsostek)
Benefits	Accident/death support		Accident/death support
		Old age support	Old age support
	Pension	Pension	
	Health Insurance	Health Insurance	Health Insurance
Active members	500,000 1,400,000 HI*	4,100,000 12,400,000 HI*	7,000,000 ** 14,200,000 HI*
Beneficiaries	291,381	1,910,607	661,720

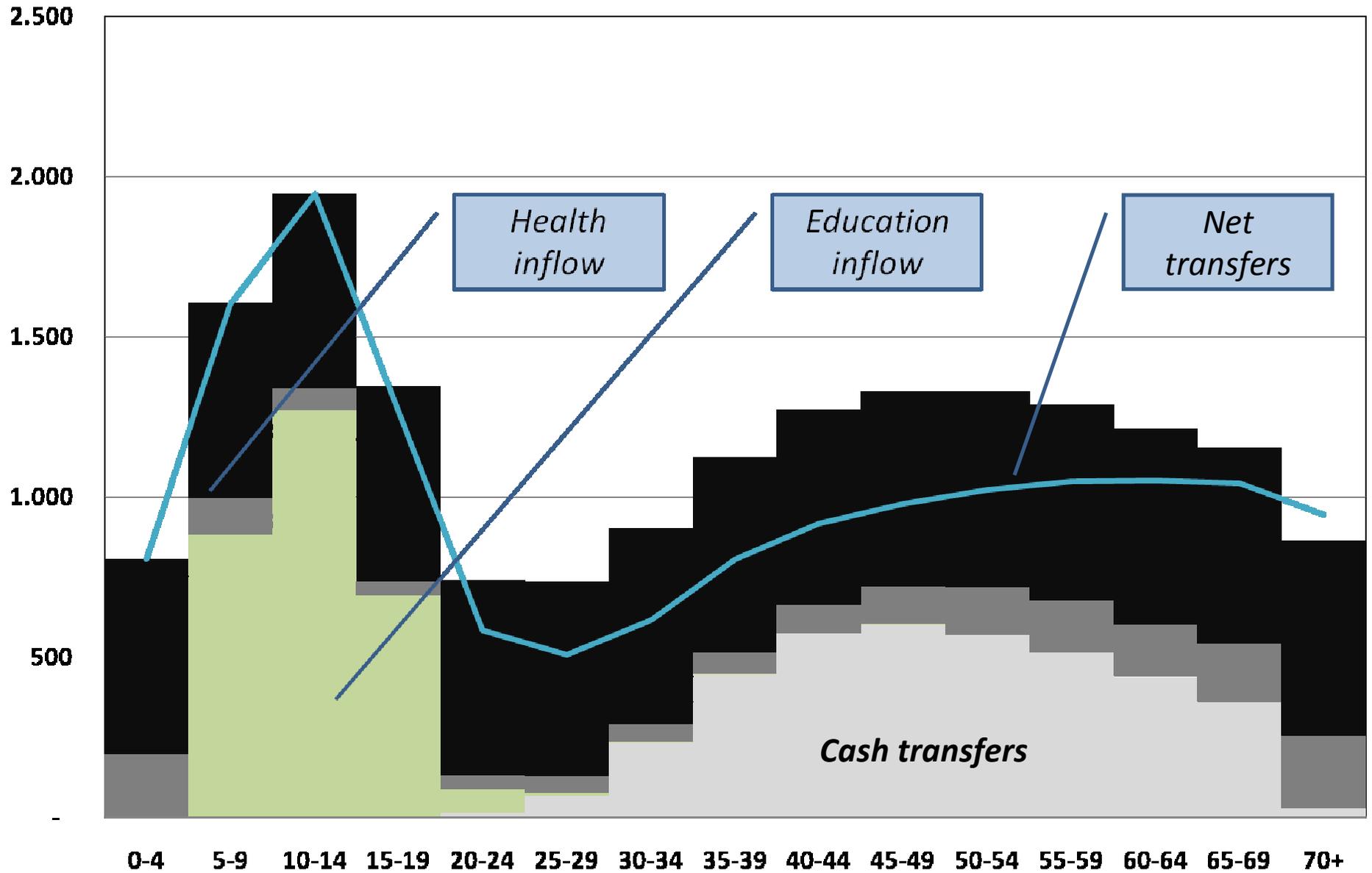
*Note: * Health insurance active members; ** non-active members 18,400,000 persons*

Finance of Indonesian Elderly, 2005

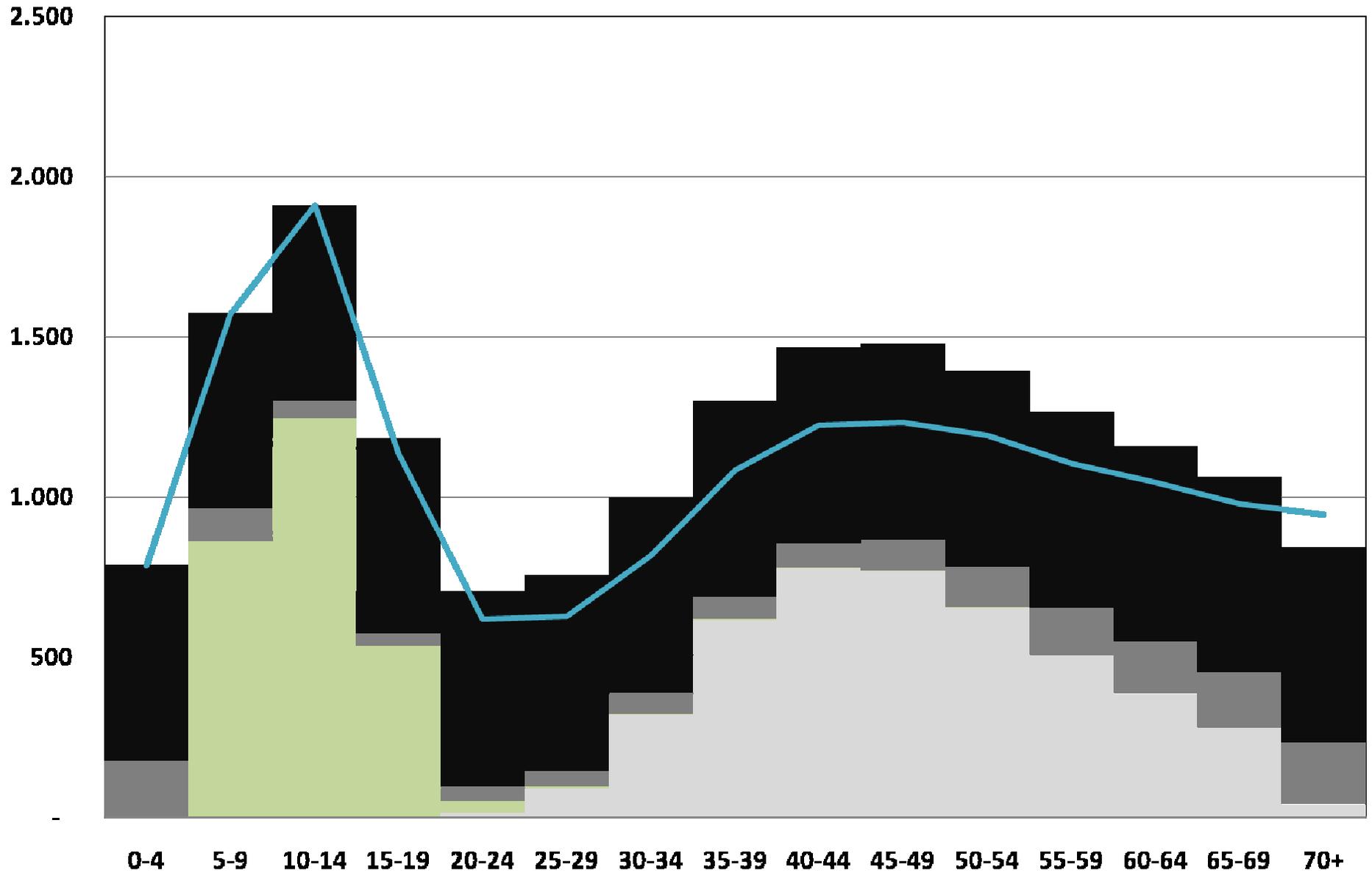


**CURRENT PROFILES OF PUBLIC
TRANSFERS BY ECONOMIC STATUS
(NTA BOOK SERIES – INDONESIA
CHAPTER - MALIKI, 2010)**

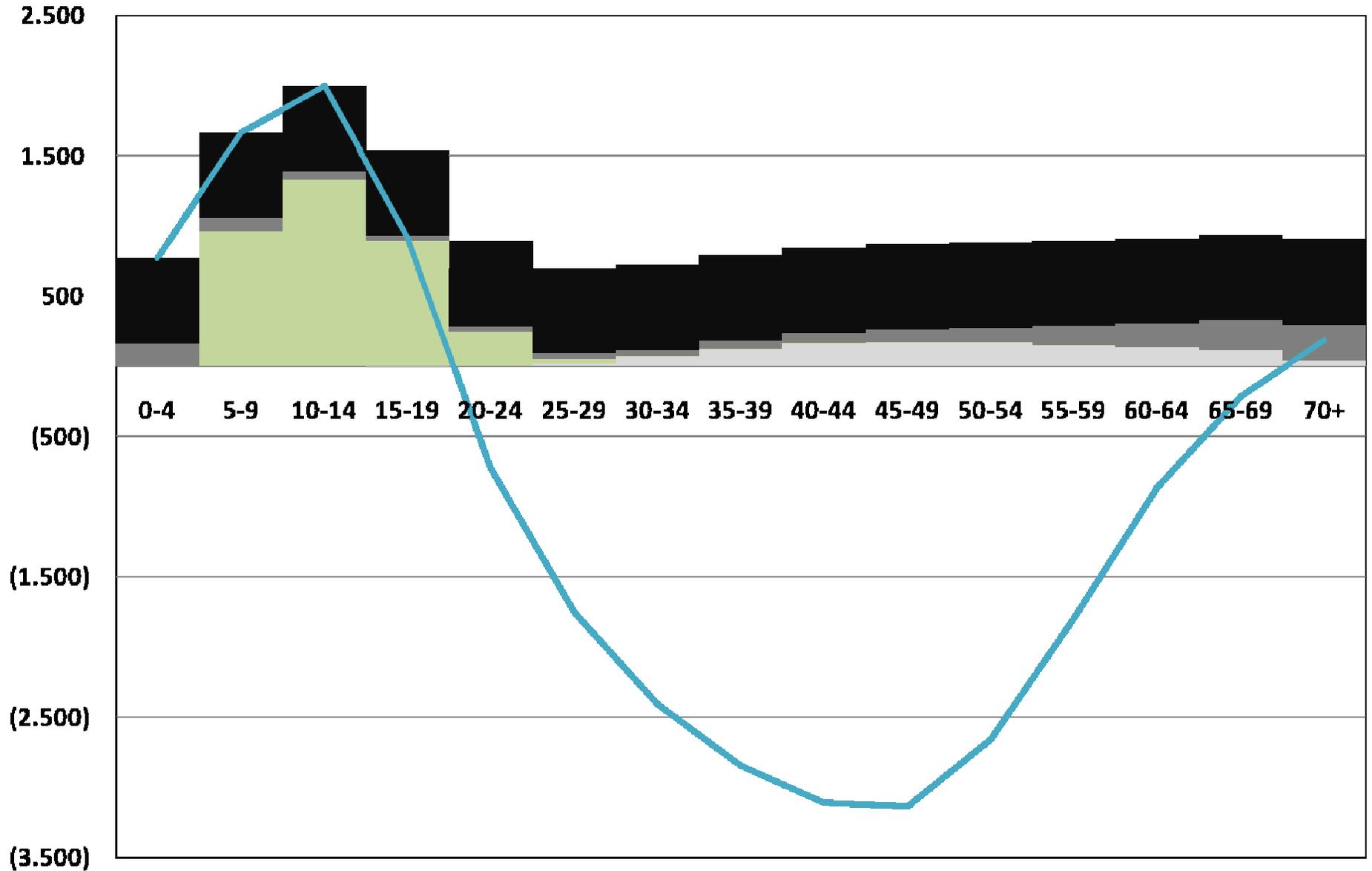
Poor Urban



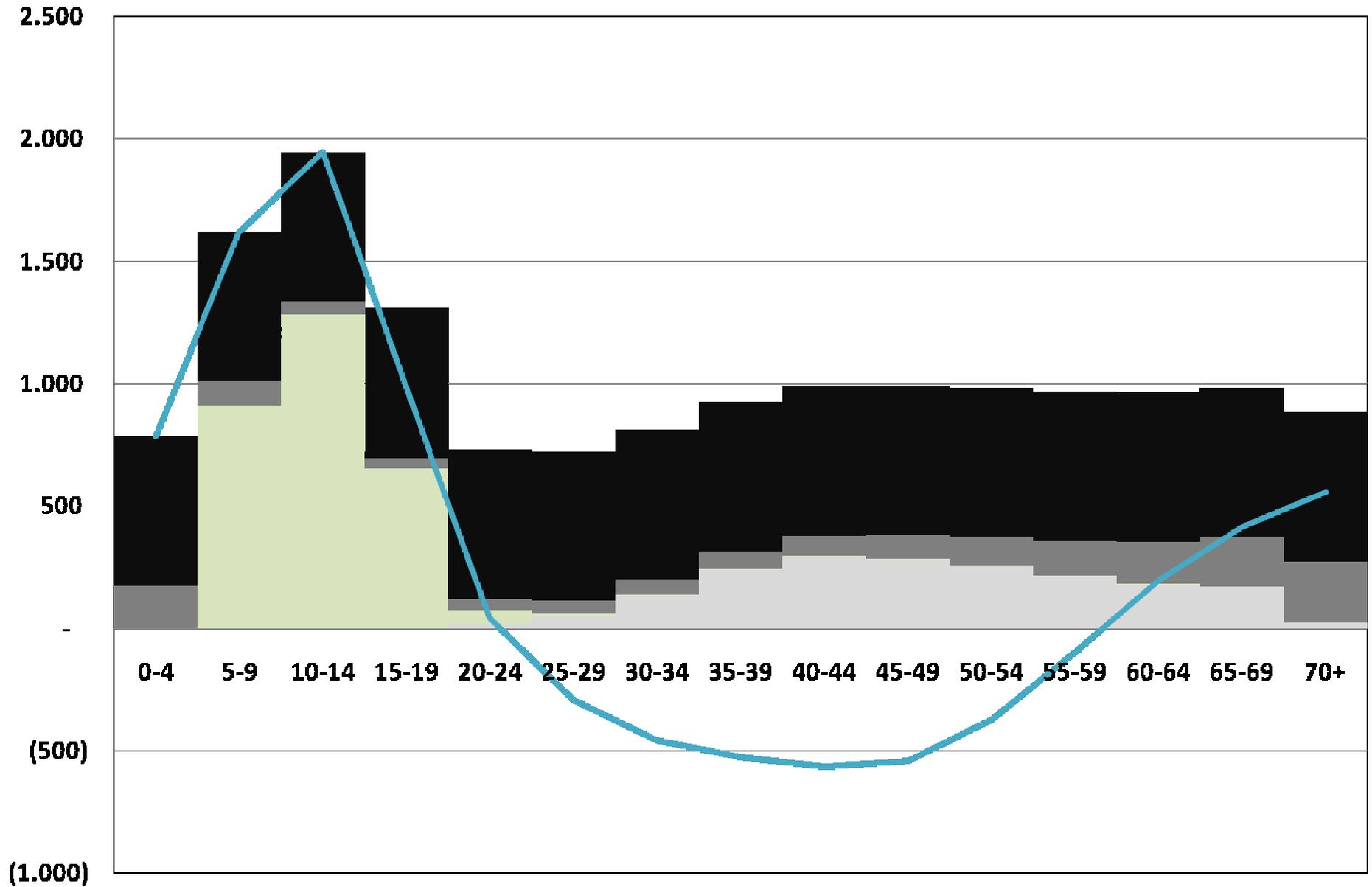
Poor Rural



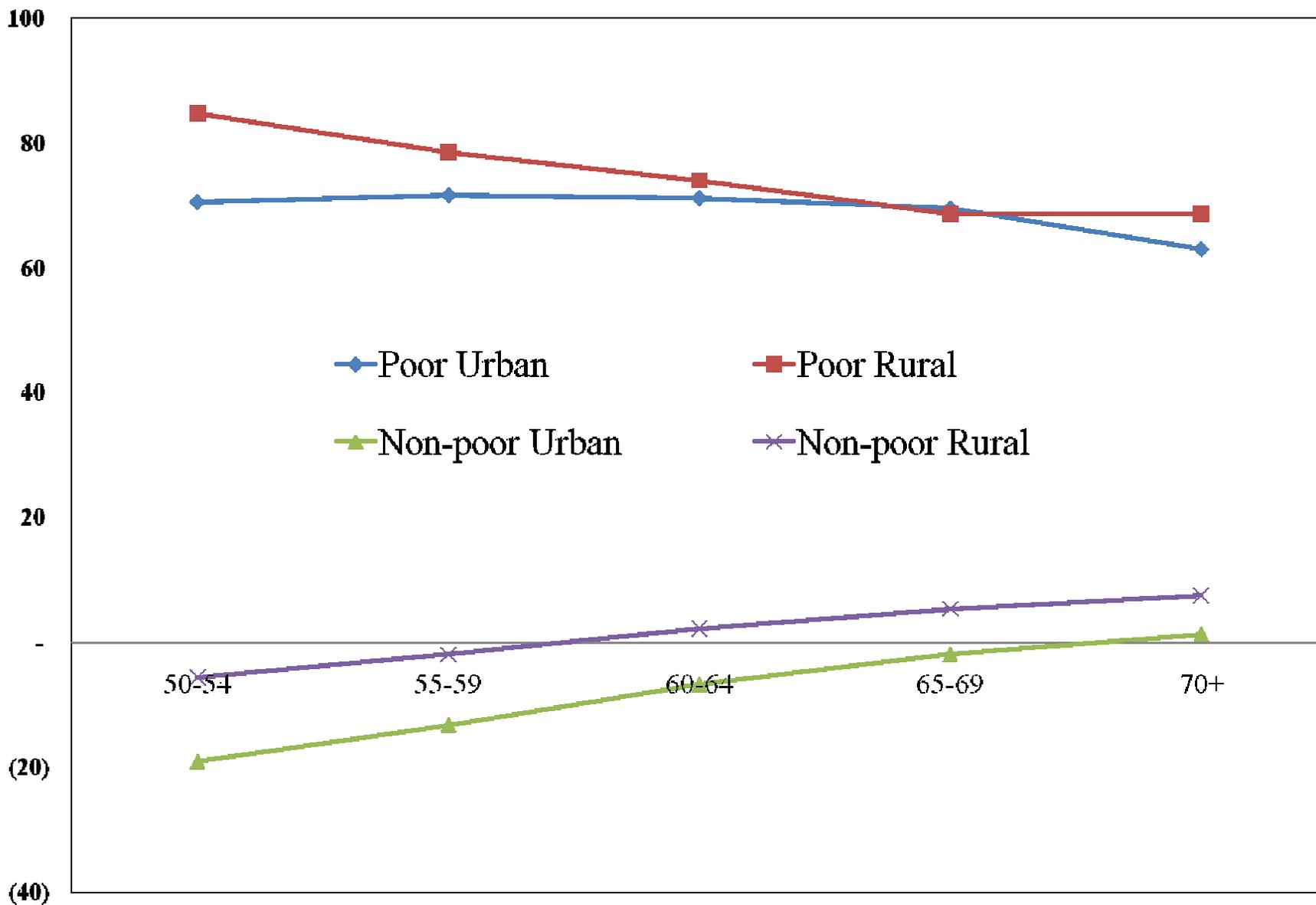
Non-poor Urban



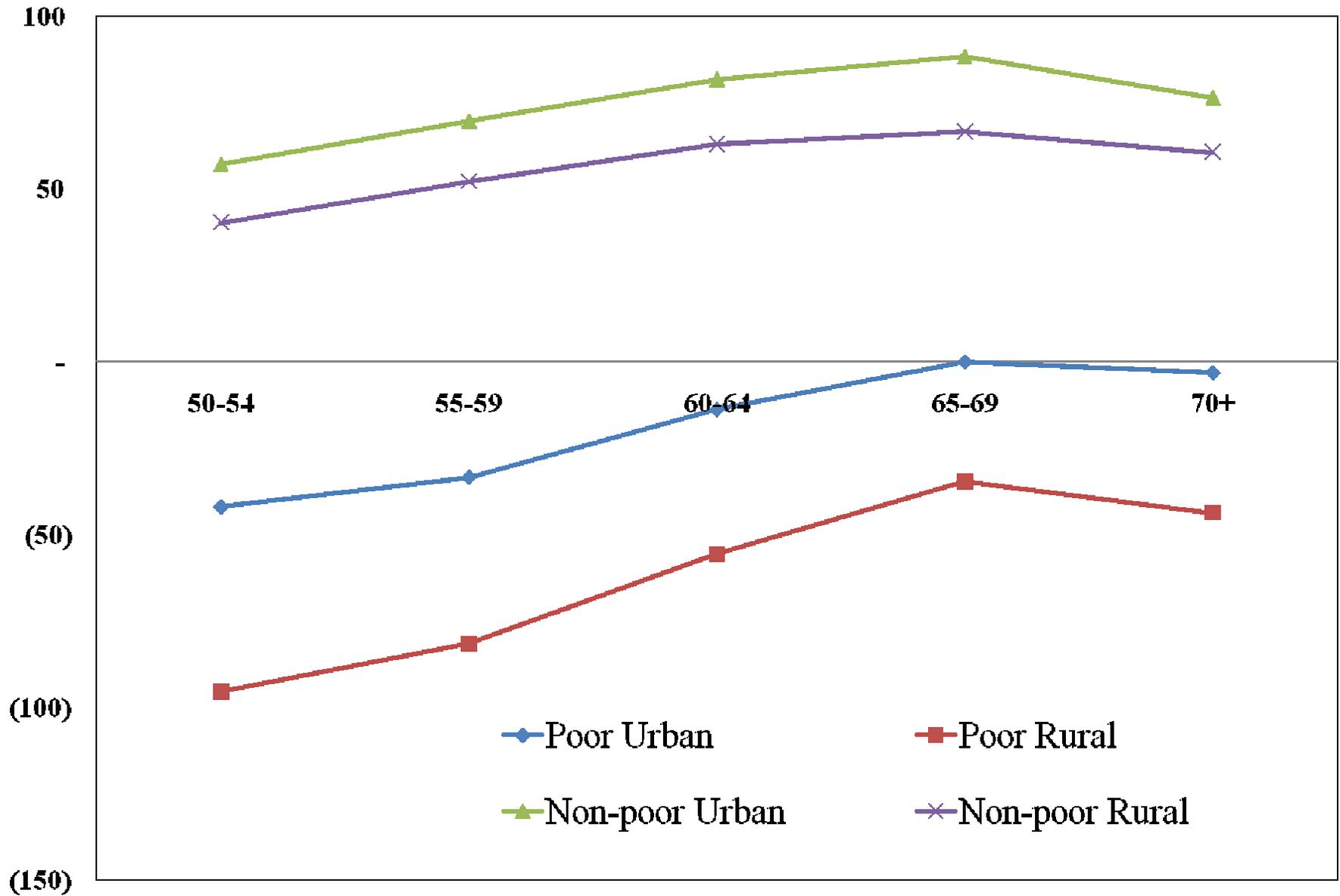
Non-poor Rural



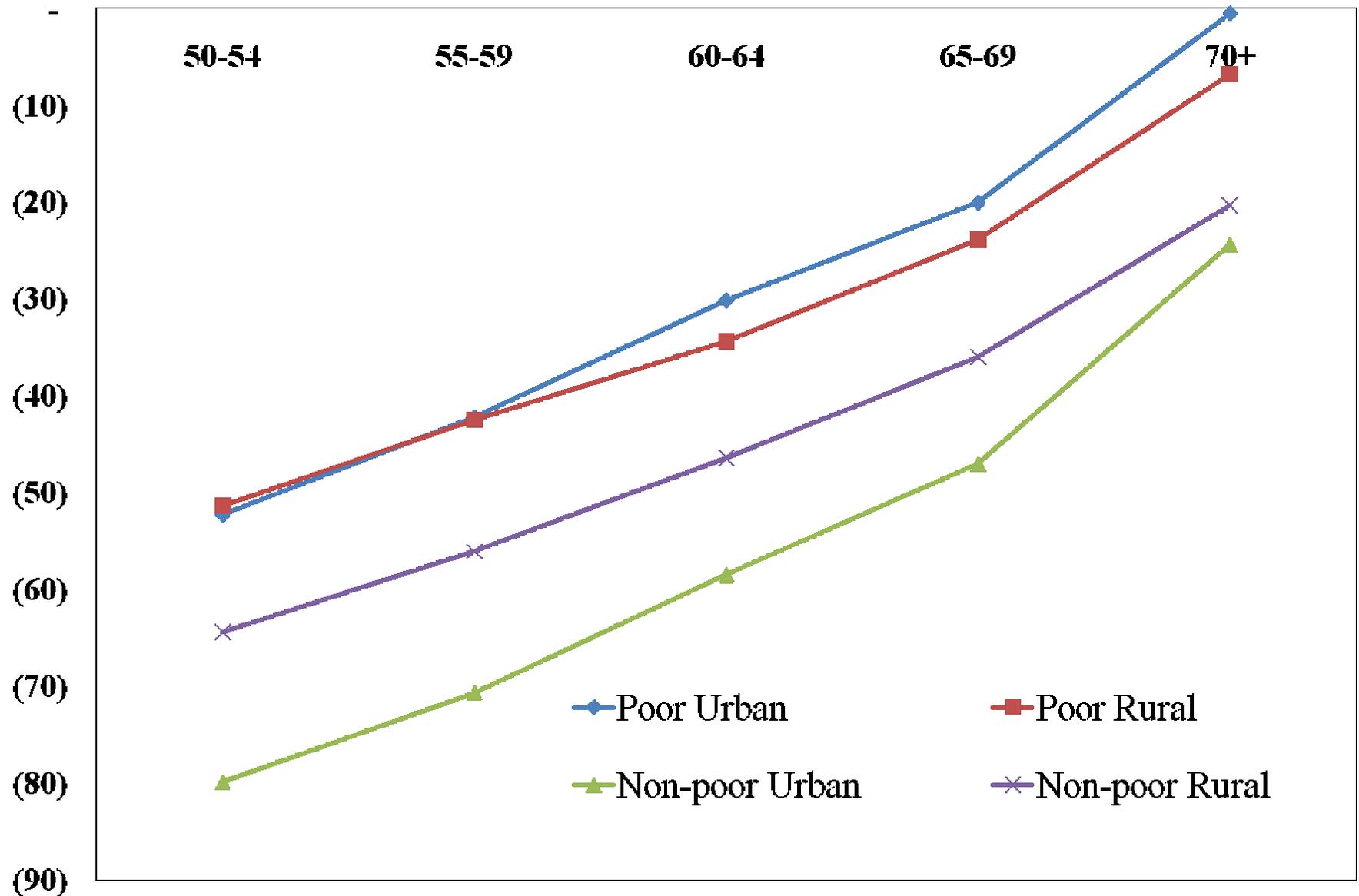
Percentage of consumption supported by public transfers



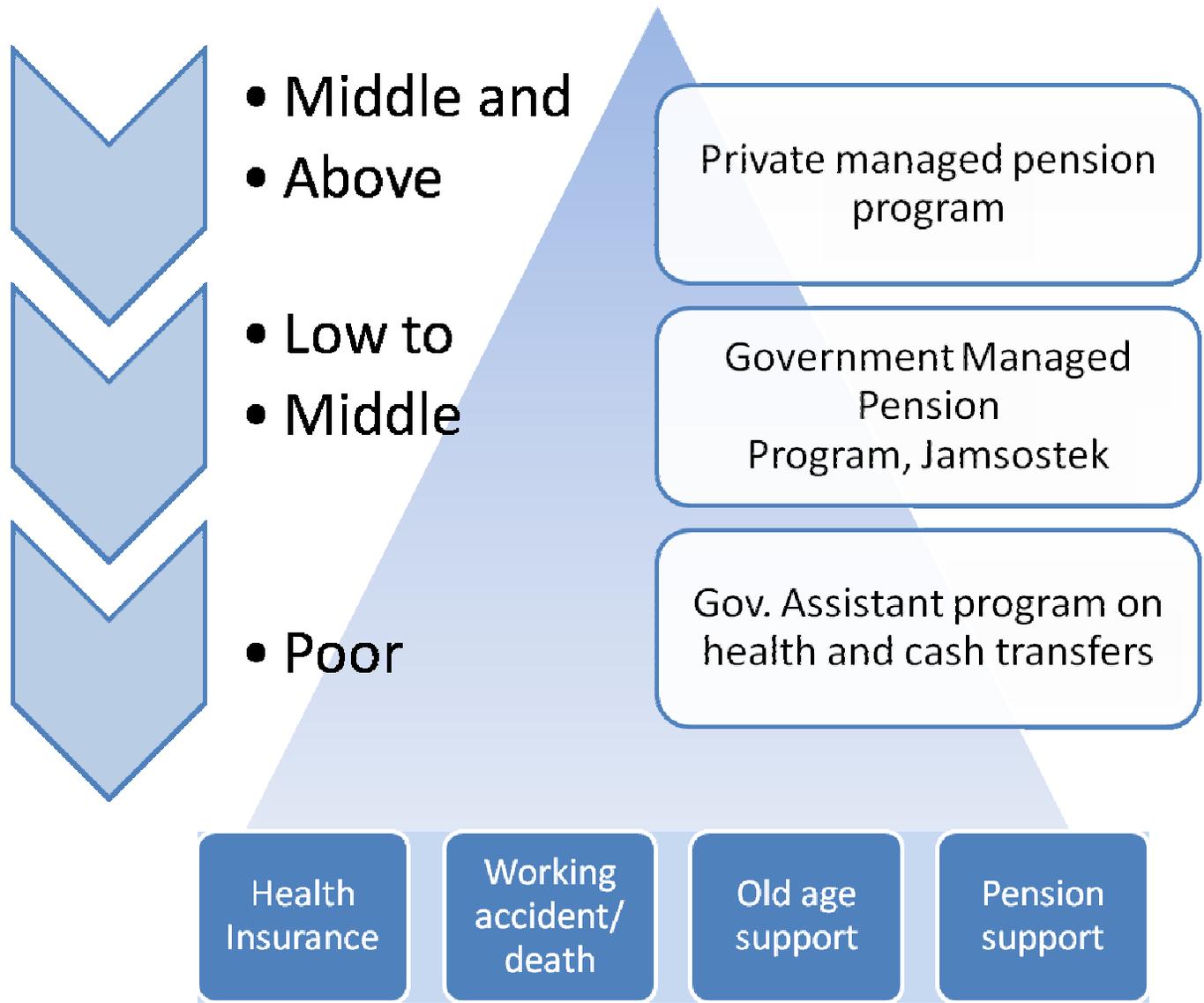
Percentage of consumption supported by assets reallocations



Percentage of consumption supported by familial transfers



Principal of Social Security in Indonesia (Law 40/2006)



Gov. Social Assistance
(as part of the National Social Security)

Social Transfers

Health

Education

Cash
Transfers

Other

Insurance for
the poor
(Askeskin)

Scholarships

Block grant
for schools

Ratio of Public Transfers to Annual Central Gov. Budget

		2005	2006	2007	2008
Health					
	Central	1,6%	2,8%	2,3%	1,5%
	Health insurance	1,4%	1,2%	1,1%	0,8%
	Local	NA	NA	3,4%	3,3%
Education					
	Central	8,1%	10,3%	7,3%	6,1%
	Local	NA	NA	9,5%	9,0%
	Social Transfers including scholarships and block grant for schools	6,9%	9,3%	7,2%	6,3%

Challenges

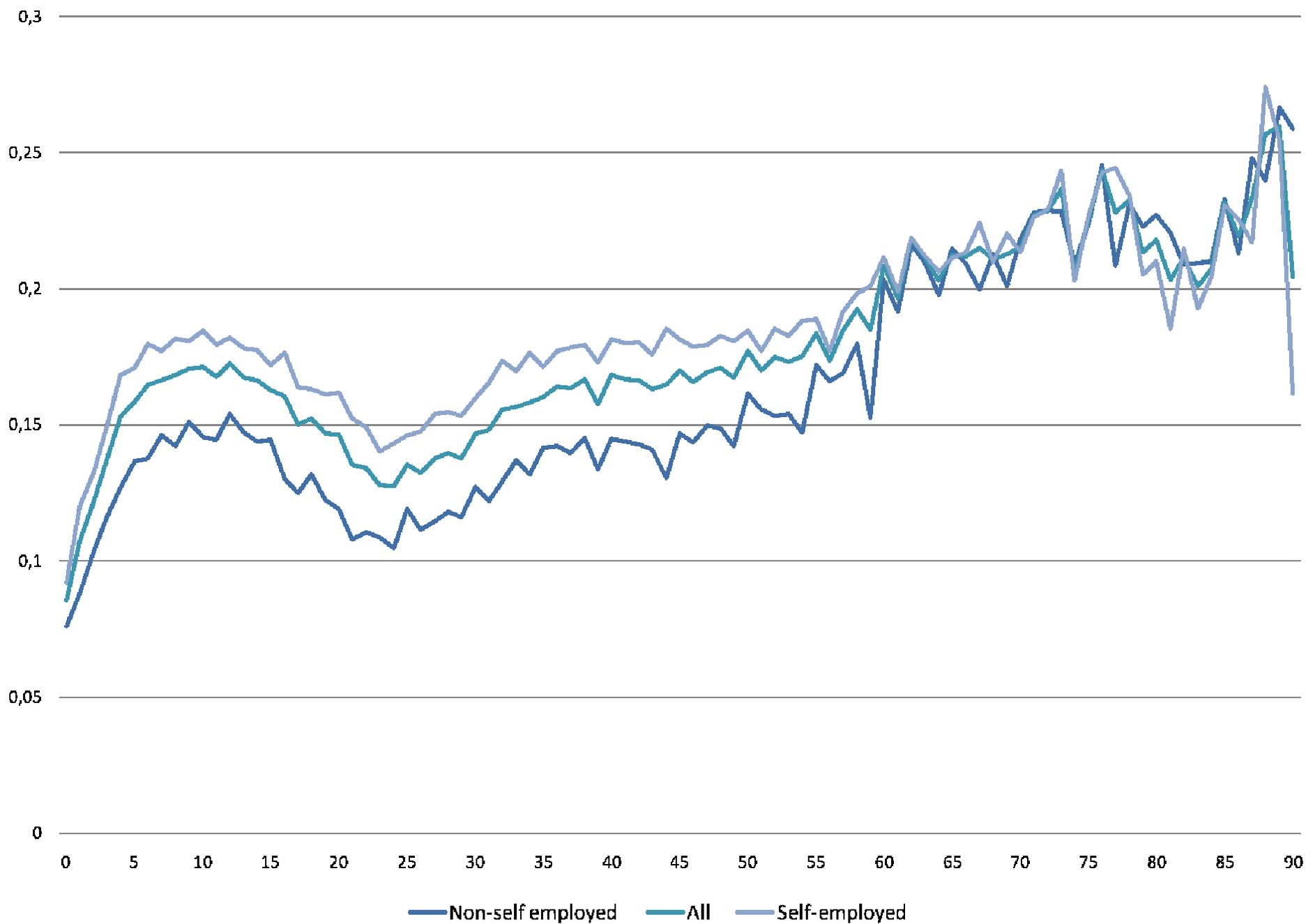
- Increase the scope of program, including pension program
- Improve participation rates, especially the self-employed workers
- Set up solid institutions that is not a profit based

Research Direction

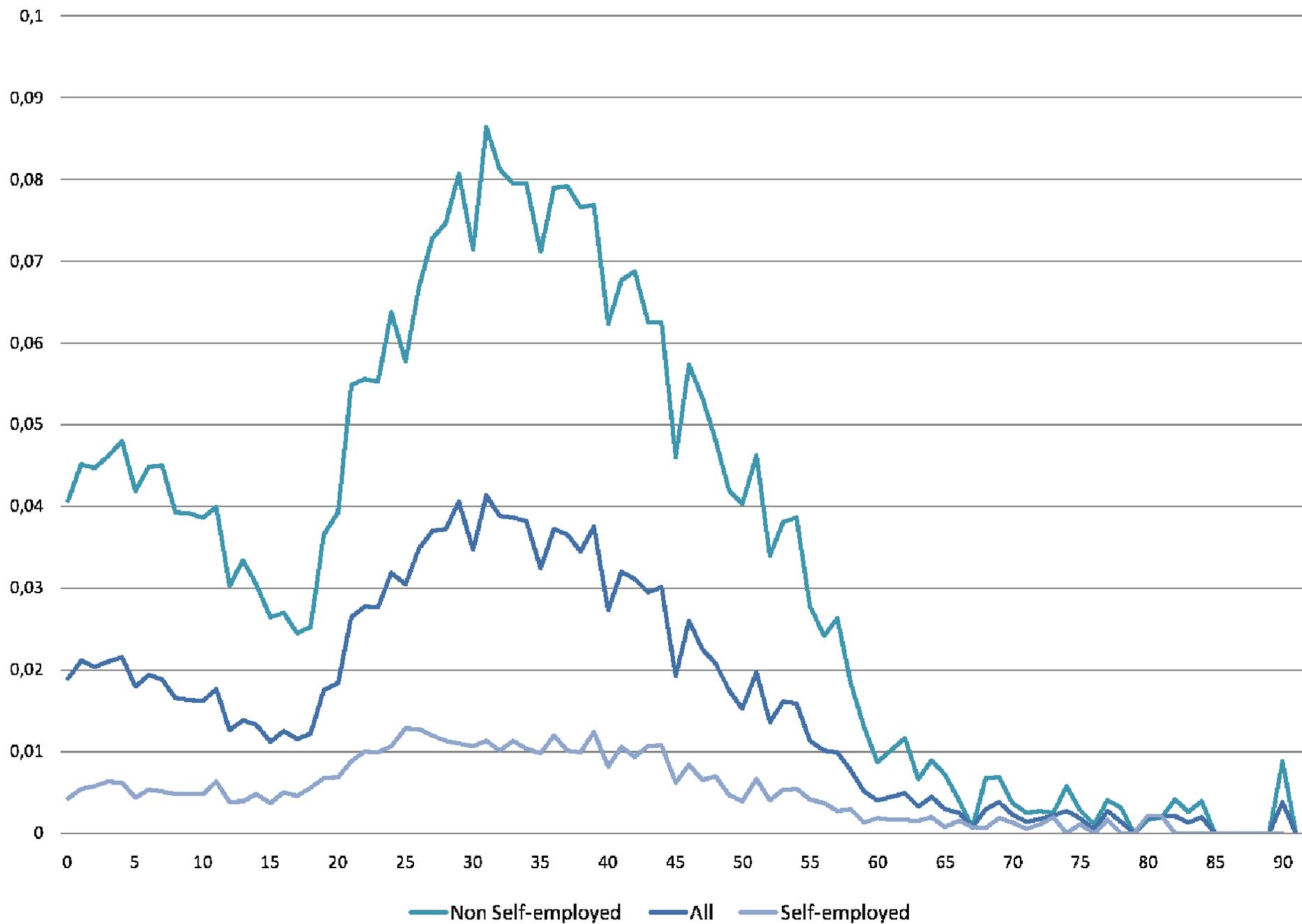
- To simulate the public transfers into social security (especially for the poor) to see how the sustainability of the program
- To simulate how the institution set-up

Proportion of population with health insurances by type of insurance, 2008

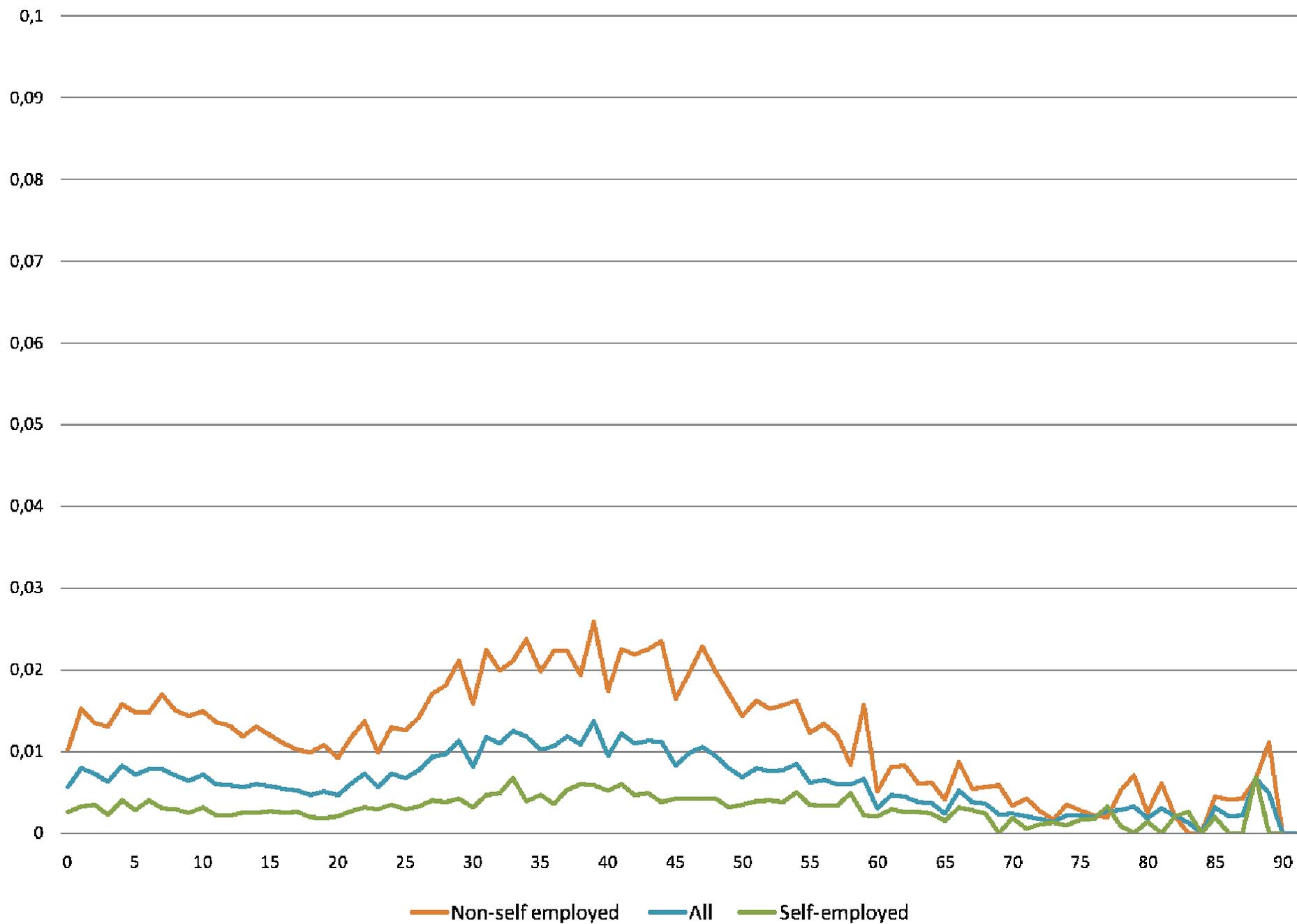
Gov. support health insurance (various types) , 2008



Public managed insurance, 2008



Private health insurance, 2008



Company support health insurance, 2008

