



UNIVERSITAS  
GADJAH MADA

# Unemployment Insurance Program: Future of Workers' Social Protection in Indonesia

Nabiyla Risfa Izzati  
Faculty of Law, Universitas Gadjah Mada, Indonesia

Prepared for presentation at the "7th Conference of the Regulating for Decent Work Network"  
Virtual Conference, International Labour Office Geneva, Switzerland.  
6-9 July 2021



# Covid-19 and Indonesian Labour Market

- Open unemployment rate in Indonesia has surged to its highest level since 2011.
- At least 29,12 million people (14,2 %) of Indonesia's workforce affected by the pandemic. (World Bank, 2020)
- Rise in informal workers (59% of total workforce, 78,14 million people) and fall in formal workers. (Statistic Indonesia, Feb 2021)
- Indonesia's first recession since 1998 financial crisis.
- Push the government to make several new policies on social protection, and enacting Job Creation Law (Law Number 11/2020) → though controversial, promised new hope for social security program for workers.



# Policies on workers' social protection during Covid-19 pandemic

- Pre-employment card (*kartu prakerja*) → workers who recently lost their job due to pandemic may apply to become a cardholder → if selected, entitled to received (online) training and allowance.
- Wage subsidies program → incentive for workers in formal sector who earn less than 5 million rupiah (US\$ 342) per month.
- Law Number 11/2020 on Job Creation Law → introduced new social protection program called *Jaminan Kehilangan Pekerjaan* (unemployment insurance program). This program then further implemented through Government Regulation Number 37 of 2021 on The Organization of The Unemployment Insurance Program



# Workers' social protection in Indonesia

- National Social Security system is divided into two agencies:
  - 1) BPJS Health (national health insurance program); and
  - 2) BPJS Employment (workers' social insurance).
- BPJS Employment workers' social insurance program:
  - 1) Workplace accident insurance;
  - 2) Workers' death insurance;
  - 3) The old age benefit;
  - 4) Pension insurance.



# Workers' social protection in Indonesia

- Prior to 2020 (Job Creation Law), Indonesia does not have an unemployment insurance scheme, therefore, protecting the laid off workers are dependent on severance pay.
- Compare with other Asia's countries, Indonesia is one of the most generous countries in giving severance pay → however, the compliance is very low because of the lack of enforcement.
- Labour Force Survey → 2/3 of all eligible employees who has been laid off did not receive severance pay, and only less than 1/10 that received full entitlement.
- Many laid off workers then resort to the old age benefit (from BPJS Employment), even though they are not in the retirement age yet.



# Unemployment Insurance as new force of labour protection

- Unemployment insurance is now added to BPJS Employment program.
- Define as “social security granted to the workers who have to experience a Termination of Employment Relationship in the form of **cash benefit**, **access to job market information**, and **Job Training**.”
- The goal to maintain a decent living when workers lost their job so that it will motivate workers to have willing to work again or try to start an independent business.
- The premium for unemployment insurance program is paid by the central government and recomposition of other BPJS Employment program’ premium.





# Unemployment Insurance as new force of labour protection

- Cash benefit → will be given every month for a maximum of 6 months of wages, in the amount of 45% of the wage for the first 3 months; and in the amount of 2% of wage for the next 3 months. (With the upper limit of wages IDR 5 million).
- Job market information → will be provided through Manpower Information System in the form of job market information and job guidance.
- Job training benefit → will provided in the form of competency-based training (will be organized both online and offline).
- With the increase of unemployment because of COVID-19 pandemic, this unemployment insurance program can be a ray of hope that provide safety net for workers that losing its job



# Challenges of Unemployment Insurance Program

- Since the program is still very new, it is not yet possible to examine the implementation of the program.
- But with the current regulation, there are some issues that need to be address:
  - 1) membership requirements and eligibility.**
    - Only workers who have and employment relationship with Entrepreneurs and received wages in business entities can be a member (i.e only workers in formal sectors, while workers in informal sector is actually more vulnerable, especially during pandemic).
    - Workers must also be included in the BPJS Kesehatan and BPJS Ketenagakerjaan other program (currently, only around 15% of the total working people in Indonesia will be compatible).
    - Workers in temporary employment relationship will not get the benefit of unemployment insurance if they are laid off because the contract is expired.





# Challenges of Unemployment Insurance Program

## 2) **Contribution and funding issue**

- Since the contribution of premium is paid by the central government and recomposition of other social security program contribution, there is concern that it will affect the durability of the program (as well as other social security program) in the long run.

## 3) **Compliance and Enforcement**

- Data from the Indonesian Trade Union Confederation shows that there are many cases of companies that are not disciplined in paying the BPJS contribution → affecting the workers benefit, while the company itself did not receive any sanction.

## 4) **Data integration (BPJS Health & BPJS Employment) issue.**



## Conclusion and Recommendation

- The unemployment insurance program that was pushed due to Covid-19 pandemic is an opportunity for Indonesia to have a more robust and reliable systems that protect workers against risk of unemployment.
- The program itself is promising, by designing three types of benefit for its members, consist of: cash benefit, access to job market information, and job training.
- Some concern: membership requirements and eligibility issue, which exclude workers in the informal sector and other difficult requirement that exclude many workers to receive the benefit; contribution and funding issue; compliance and enforcement; data and administrative challenge
- In due course, this issue need to be considered so that the goal of unemployment insurance program will be achieved.



UNIVERSITAS  
GADJAH MADA

# THANK YOU

[nabiylarisfa@ugm.ac.id](mailto:nabiylarisfa@ugm.ac.id) / @nabiylarisfa

LOCALLY ROOTED, GLOBALLY RESPECTED

ugm.ac.id