



OFFICE OF THE VICE PRESIDENT OF  
THE REPUBLIC OF INDONESIA



# THE FUTURE OF THE SOCIAL PROTECTION SYSTEM IN INDONESIA: SOCIAL PROTECTION FOR ALL





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the TNP2K Social Assistance Policy Working Group.

### **THE NATIONAL TEAM FOR THE ACCELERATION OF POVERTY REDUCTION**

**Office of the Vice President of the Republic of Indonesia**

Jl. Kebon Sirih No. 14, Jakarta Pusat 10110

Telephone : (021) 3912812

Faximile : (021) 3912511

E-mail : pokjabansos@tnp2k.go.id

Website : www.tnp2k.go.id



## FOREWORD



As mandated by the constitution, Indonesia continues to reform its social protection system to provide needed coverage for its citizens.

The social assistance program that began in 1998 is intended for low-income and other vulnerable groups. Although the law on the national social security system was enacted in 2004, the national health insurance system didn't begin until January 2014. However, it now reaches two-thirds of Indonesia's population, with nearly half of its cost being government-funded. The social insurance for employment system that began in January 2015 is currently reaching only a small percentage of the formal sector workers, government employees and military personnel.

Moving forward, social protection in Indonesia needs to reach every individual, whether through social assistance or social insurance, and including the most poor and vulnerable. Social assistance aims to prevent families from falling below the poverty line and is a form of support as well as an investment in resources, such as health and education assistance whereas social insurance aims to provide adequate protection from the working period until the end of a citizen's life and needs to be fully funded via contributory schemes.

Various schemes have been implemented to reach these objectives. A major reform was improving the targeting performance of Indonesia's major social assistance portfolios including: (1) Food assistance for poor families (Rastra and BPNT/non-cash food assistance); (2) Education assistance for poor children; (3) Conditional cash transfers for poor families (*Program Keluarga Harapan* – PKH); and (4) Subsidised beneficiaries of the national health insurance program (*Jaminan Kesehatan Nasional*-Penerima Bantuan Iuran – JKN-PBI) for poor and at-risk individuals.

Efforts are continuously being made to improve the targeting of government-funded premiums for the national health insurance program. In addition, several initiatives have aimed at expanding the number of contributing members for the social security employment program (*Badan Penyelenggara Jaminan Sosial* – BPJS) although it mostly benefits formal sector workers. But major gaps still exist, especially for the emerging middle-income groups who typically work in the informal sectors. They have yet to receive the protection needed to sustain their social and economic growth. The same is true for other at-risk populations, including the elderly, at-risk children and people with disabilities.



Beginning in 2017, the National Team for the Acceleration of Poverty Reduction (TNP2K) under the vice president's office, has been initiating different reforms to gradually address vulnerabilities across the life cycle and prioritise support to the most at-risk populations, particularly the elderly, young children and people with disabilities.

This publication, *the Future of the Social Protection System in Indonesia: Social Protection for All*, is one of the early efforts to establish, refine and develop a comprehensive social protection system in the future. The direction of the Indonesian social protection system in the future is a system that will protect children through inclusive child grants, build a social security system that benefits the productive age group in both formal and informal sectors, ensure social protection for the elderly and guarantee the availability of protection for people with disabilities across all age groups.

We would like to express our appreciation and gratitude to the social assistance policy working group at the TNP2K secretariat, as well as the Australian government through the Department of Foreign Affairs and Trade (DFAT), that have provided support and collaboration in developing this publication. May this prove useful.

Jakarta, October 2018

**Bambang Widiyanto**

Deputy for Human Development and Equality/  
Executive Secretary of the National Team for the Acceleration  
of Poverty Reduction (TNP2K)  
Office of the Vice President





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## ABBREVIATIONS AND ACRONYMS

<b>ADB</b>	Asian Development Bank
<b>ADL</b>	Activities of daily life
<b>APBD</b>	Local government budget ( <i>Anggaran Pendapatan dan Belanja Daerah</i> )
<b>APBN</b>	State budget ( <i>Anggaran Pendapatan dan Belanja Negara</i> )
<b>ASABRI</b>	Social insurance for Indonesia's military, police and civil service under the Ministry of Defence ( <i>Asuransi Sosial Angkatan Bersenjata Republik Indonesia</i> )
<b>ASLUT</b>	Social assistance for the elderly ( <i>Asistensi Sosial Lanjut Usia</i> )
<b>ASPDB</b>	Social assistance for people with severe disability ( <i>Asistensi Sosial Penyandang Disabilitas Berat</i> )
<b>Bappenas</b>	Ministry of National Development Planning ( <i>Badan Perencanaan dan Pembangunan Nasional</i> )
<b>BPJS Ketenagakerjaan</b>	Social Security Agency for Employment ( <i>Badan Penyelenggara Jaminan Sosial Ketenagakerjaan</i> )
<b>BPNT</b>	Indonesia non-cash food assistance program ( <i>Bantuan Pangan Non Tunai</i> )
<b>BPS</b>	Central Bureau of Statistics ( <i>Badan Pusat Statistik</i> )
<b>GDP</b>	Gross domestic product
<b>Gol</b>	Government of Indonesia
<b>IDHS</b>	Indonesia Demographic and Health Survey
<b>IFLS</b>	Indonesia Family Life Survey
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>JAMKESMAS</b>	Health insurance ( <i>Jaminan Kesehatan Masyarakat</i> )
<b>JAMSOSTEK</b>	Social insurance/Security for Employment ( <i>Jaminan Sosial Tenaga Kerja</i> )
<b>JHT</b>	Old age savings with disability benefit ( <i>Jaminan Hari Tua</i> )
<b>JK</b>	Survivors' benefit insurance ( <i>Jaminan Kematian</i> )
<b>JKK</b>	Casualty/work injury insurance ( <i>Jaminan Kecelakaan Kerja</i> )
<b>JKN-PBI</b>	National health insurance - fully subsidised beneficiaries ( <i>Jaminan Kesehatan Nasional - Penerima Bantuan Iuran</i> )
<b>JP</b>	Elderly pension ( <i>Jaminan Pensiun</i> )
<b>JPS</b>	Social safety net ( <i>Jaring Pengaman Sosial</i> )
<b>JSLU</b>	Social insurance for the elderly ( <i>Jaminan Sosial Lanjut Usia</i> )
<b>JSPACA</b>	Social insurance for people with severe disabilities ( <i>Jaminan Sosial Penyandang Cacat Berat</i> )

<b>KPS/KKS</b>	Social protection card/social welfare card ( <i>Kartu Perlindungan Sosial/Kartu Kesejahteraan Sosial</i> )
<b>MoEC</b>	Ministry of Education and Culture
<b>MoF</b>	Ministry of Finance
<b>MoRA</b>	Ministry of Religious Affairs
<b>MoSA</b>	Ministry of Social Affairs
<b>NGO</b>	Non-governmental organisation
<b>NPL</b>	National poverty lines
<b>Perpres</b>	Presidential regulation ( <i>Peraturan Presiden</i> )
<b>PPA-PKH</b>	Child labour elimination through the conditional cash transfer program ( <i>Program Penarikan Pekerja Anak melalui Program Keluarga Harapan</i> )
<b>PIP</b>	Indonesia's education cash assistance program ( <i>Program Indonesia Pintar</i> )
<b>PKH</b>	Indonesia's conditional cash transfer program ( <i>Program Keluarga Harapan</i> )
<b>PKSA</b>	Social welfare program for poor children ( <i>Program Kesejahteraan Sosial Anak</i> )
<b>PPP</b>	Purchasing power parity
<b>PT Taspen</b>	Old age saving program for civil servants ( <i>Program Tabungan dan Asuransi Pensiun Pegawai Negeri Sipil/PNS</i> )
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>Raskin</b>	Rice subsidy program for the poor ( <i>Subsidi Beras untuk Masyarakat Miskin</i> )
<b>Rastra</b>	Rice subsidy for the poor and at-risk ( <i>Subsidi Beras Sejahtera</i> )
<b>Riskedas</b>	Indonesia basic health research data ( <i>Riset Kesehatan Dasar</i> )
<b>RPJMN</b>	Indonesia's medium-term national development plan ( <i>Rencana Pembangunan Jangka Menengah</i> )
<b>RPJPN</b>	Indonesia's long-term national development plan ( <i>Rencana Pembangunan Jangka Panjang Nasional</i> )
<b>Sakernas</b>	Indonesian national labour survey ( <i>Survei Angkatan Kerja Nasional</i> )
<b>SAPER</b>	World Bank Social Assistance Public Expenditure Review
<b>SDGs</b>	Sustainable Development Goals
<b>SUPAS</b>	Inter Census Population Survey ( <i>Survei Penduduk Antar Sensus</i> )
<b>Susenas</b>	Indonesia's national socio-economic survey ( <i>Survei Sosial Ekonomi Nasional</i> )
<b>TNP2K</b>	National Team for the Acceleration of Poverty Reduction ( <i>Tim Nasional Percepatan Penanggulangan Kemiskinan</i> )
<b>UDB</b>	Unified Database

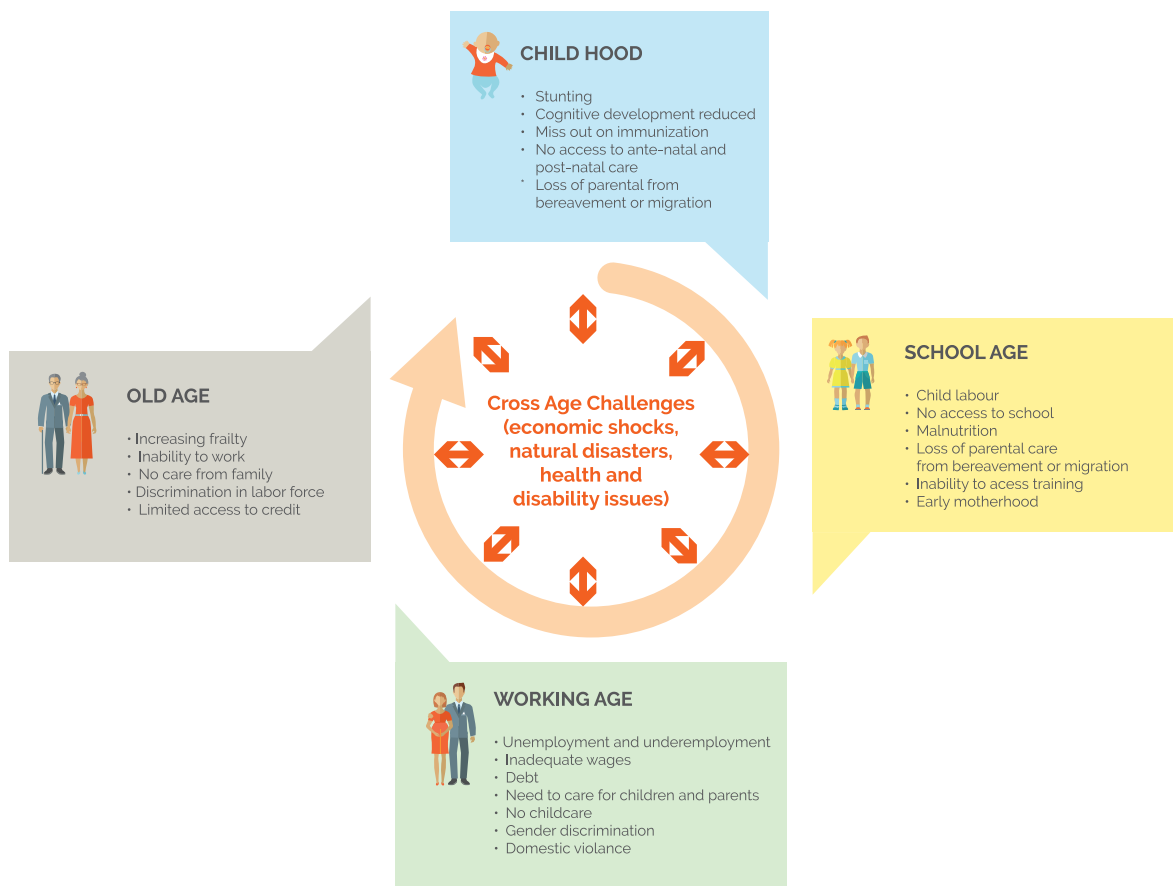


# EXECUTIVE SUMMARY

Indonesia was among the few countries globally to experience an average growth rate of approximately 7 per cent annually prior to the Asian economic crisis. However, this dropped to approximately 5.6 per cent a year between 2007 and 2016, signaling the need to stimulate the economy, generate demand and increase consumption. Furthermore, while government efforts have had a positive impact in reducing the official poverty rate, the pace of poverty reduction has been slowing down. Even households living above the official poverty line are still subsisting on vulnerable incomes and are still susceptible to falling back into poverty. Household incomes are highly dynamic, as people react to shocks and crises, and respond to opportunities.

Indonesians face a wide range of risks throughout their lives, beginning in the womb and continuing through to their final days (see ES Figure 1). Life-cycle risks and challenges can affect people's standard of living, particularly when a comprehensive social protection system is not in place. These risks are exacerbated by widespread low incomes that mean people are less able to respond effectively to a crisis. If these issues are tackled effectively, poverty levels would be reduced significantly and the wellbeing of all citizens would be enhanced.

ES Figure 1: Risks and challenges that can affect people across the life cycle



**The low incomes and insecurity most people experience highlight some key issues for social protection policy. Social protection is a system of regular and predictable transfers, in cash or in kind, that aim to protect people from risks and provide them with income security and the ability to smooth their consumption over the life cycle.** In the Indonesian context, the social protection system is comprised of social assistance or non-contributory schemes financed through the government budget and social insurance or social security schemes that are financed through contributions from members. The health insurance scheme is a hybrid, with a government-financed, non-contributory component for the poor and a contributory component for those who can afford it.

**While the government is committed to expanding the national social protection system and has increased its spending on non-contributory schemes, significant challenges persist.** Existing non-contributory programs currently target those living in poverty and focus on reducing the expenditure burden of the poorest. However, they do not comprehensively address the vulnerability of most citizens across the economic spectrum. Most of the population on middle incomes – the so-called 'missing middle' – are still extremely vulnerable to risks and shocks but, apart from health insurance, do not currently benefit from Indonesia's social protection system.

**Furthermore, the current investment of 0.35 per cent of gross domestic product (GDP) in social assistance schemes is less than expected for a middle-income country like Indonesia, resulting in major gaps in coverage.** Other countries, such as Nepal, have a much lower GDP than Indonesia but invest approximately 2 per cent of GDP on tax-financed social protection.

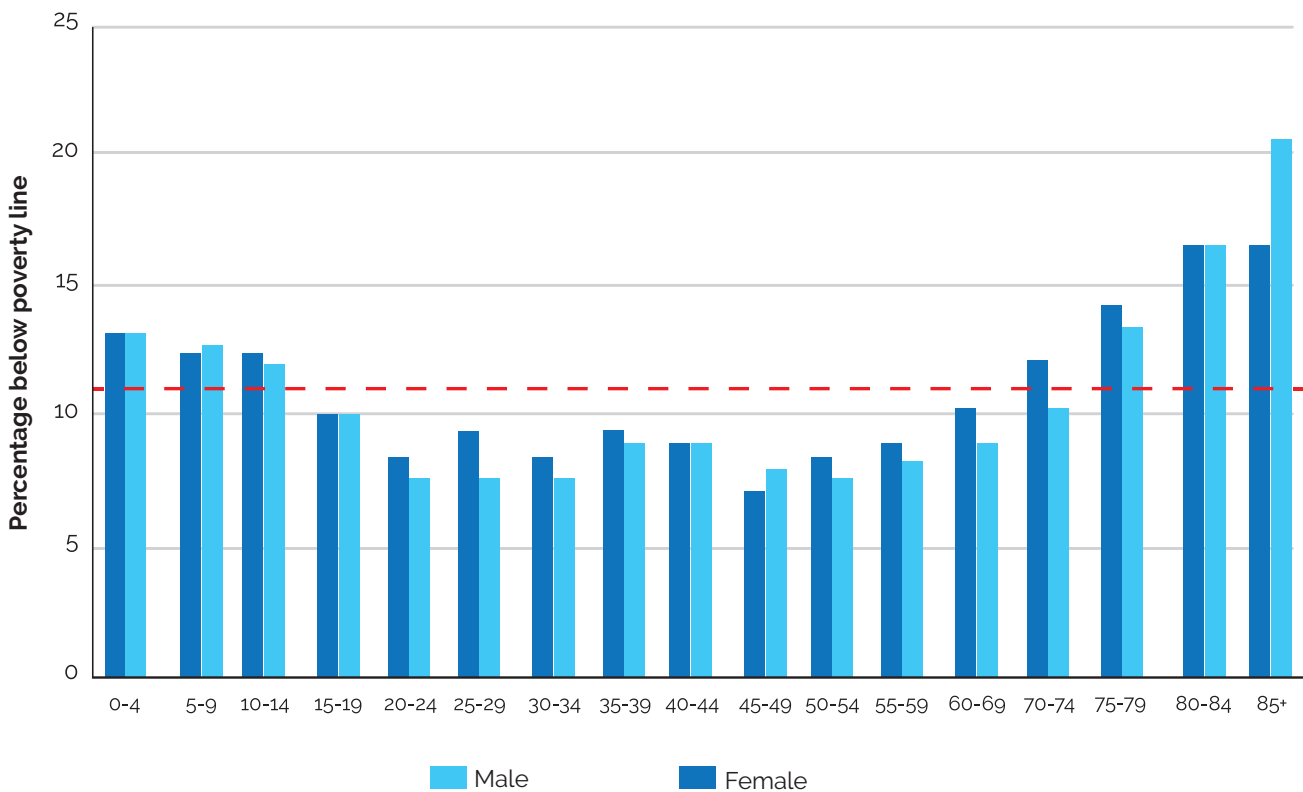
**Based on the experience of other middle-income countries, Indonesia will generate significant social, economic and political benefits by investing more in social protection.** This will not only reduce poverty and inequality levels but also enhance children's wellbeing and boost labour productivity, thereby accelerating economic growth. Furthermore, all Indonesians – even those who currently feel disenfranchised by the growing inequality – will understand that they are entitled to social protection. This strong social commitment may generate greater national cohesion and a more peaceful and harmonious society.

**Indonesia's vision for social protection is enshrined in the constitution which stipulates the right to social security (inclusive of social protection) for all Indonesian citizens.** In this report, we present a long-term vision for a comprehensive social protection system and a strategy to improve Indonesia's social protection system over the next five years (2020–2024). The proposals presented in this strategy are intended to ensure that citizens

across the life cycle – from childhood to old age and if faced with a disability – have access to Indonesia's social protection system. This includes greater coverage for the 'missing middle'.<sup>1</sup>

**Children and the elderly should be prioritised by the social protection system given that Indonesia's poverty has a strong age dimension.** The highest rates of poverty – defined as living below the national poverty line of IDR11,994 per day (equivalent to USD2.39)<sup>2</sup> – are found among children, adults raising children and people over 60, with particularly high rates among people over 80 (see ES Figure 2).

**ES Figure 2: Percentage of the population below the national poverty line, by age group, 2017**



**Note:** - - - - national poverty line (IDR11,994 per day per capita)  
Source: Susenas 2017

<sup>1</sup> Cain (2009)

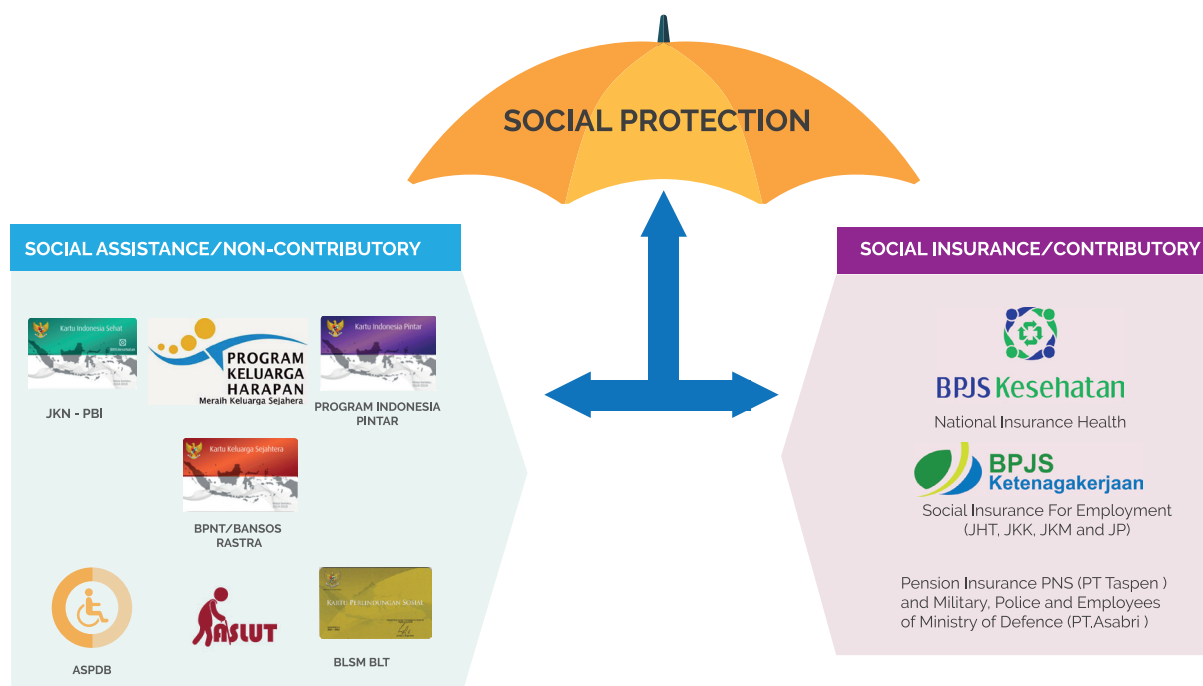
<sup>2</sup> USD1 = IDR 5,013 (purchasing power parity – PPP 2017)

Providing social protection to citizens across the life cycle forms the basis of social protection in countries with mature social protection systems, with developing countries increasingly following suit. In many countries, the core schemes include benefits for the elderly, for people with disabilities and for children, with residual social assistance programs for poor families.

## The current social protection system

Indonesia's social protection system consists of contributory schemes (health insurance<sup>3</sup> and employment insurance programs) and non-contributory schemes (social assistance programs financed by the government through general tax revenue) (see ES Figure 3).

**ES Figure 3: Indonesia's existing social protection system**



Currently, the total investment of Indonesia's social protection system is 0.73 per cent of GDP (2017 figures). The contributory social insurance schemes have collected premiums from members that equate to 0.18 per cent of GDP, particularly from civil servants and military and police personnel. Indonesia invests 0.35 per cent of GDP on social assistance or non-contributory schemes and 0.20 per cent on fully subsidised national health insurance for the poor (*penerima bantuan iuran-jaminan kesehatan nasional* – JKN-PBI), equating to an investment of 0.55 per cent of GDP on non-contributory schemes.

<sup>3</sup> Indonesia's national health insurance (JKN) is funded predominantly by members' contributions but also fully subsidises premiums for the poorest 40 per cent of the population through the health insurance subsidy system (PBI).



## Non-contributory schemes

**Major non-contributory schemes include food assistance programs (*Rastra*<sup>4</sup> and *Bantuan Pangan Non Tunai – BPNT*), conditional cash transfers (*Program Keluarga Harapan – PKH*) and a cash transfer for students from poor and vulnerable families (*Program Indonesia Pintar – PIP*).**

In 2017, *Rastra* was reformed and moved from providing in-kind rice to an electronic food voucher system, known as *Bantuan Pangan Non Tunai (BPNT)*. The process of converging *Rastra* support and *BPNT* is still ongoing and is likely to be completed in 2019. *BPNT* helps poor households purchase foodstuffs, such as rice and eggs,<sup>5</sup> improves financial inclusion targets and is the government's largest income transfer program with spending of 0.18 per cent of GDP. Indonesia's flagship conditional cash transfer program, *PKH*, reached its target of 6 million poor families with children and pregnant mothers in 2017 and as of 2018 has increased coverage to 10 million families. *PKH* is the second largest income transfer program with an investment of 0.08 per cent of GDP. *PIP* is helping 19.7 million school-age children from poor and vulnerable families to cover the personal costs associated with education and represents roughly the same level of investment as *PKH*. Poor families, particularly those with school-age children, are the primary targets for social assistance in Indonesia. However, elderly people and those with a disability are still missing out, as evidenced by Indonesia's 0.001 per cent of GDP investment in elderly and disability grants.<sup>6</sup>

## Contributory schemes

**Based on Law No 40 of 2004 on the national social security system (*Sistem Jaminan Sosial Nasional – SJSN*), four health and employment insurance schemes are currently being implemented: national health insurance (*Jaminan Kesehatan Nasional – JKN*), casualty or work injury compensation (*Jaminan Kecelakaan Kerja – JKK*), survivors' benefit (*Jaminan Kematian – JKM*), old age savings with disability benefit (*Jaminan Hari Tua – JHT*) and elderly pension (*Jaminan Pensiun – JP*). Under Law No 24 of 2011 the government established the Social Security Agency for Employment (*BPJS***

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<sup>4</sup>The difference between the previous *Rastra* program and the current *Rastra* social assistance is the cost of the subsidised rice. Previously, beneficiary families paid IDR1.600 per kg for the rice and received 15kg per month. While in the current program, the beneficiary families do not pay for the rice and they get a maximum of 10 kg per month.

<sup>5</sup>The food items on offer may change in the future depending on evolving national policy.

<sup>6</sup>As of 2017, *PKH* and the social assistance for older persons program (*Asistensi Sosial Lanjut Usia Terlantar – ASLUT*) only cover around 150,000 out of the 23.4 million elderly people (Susenas 2017).



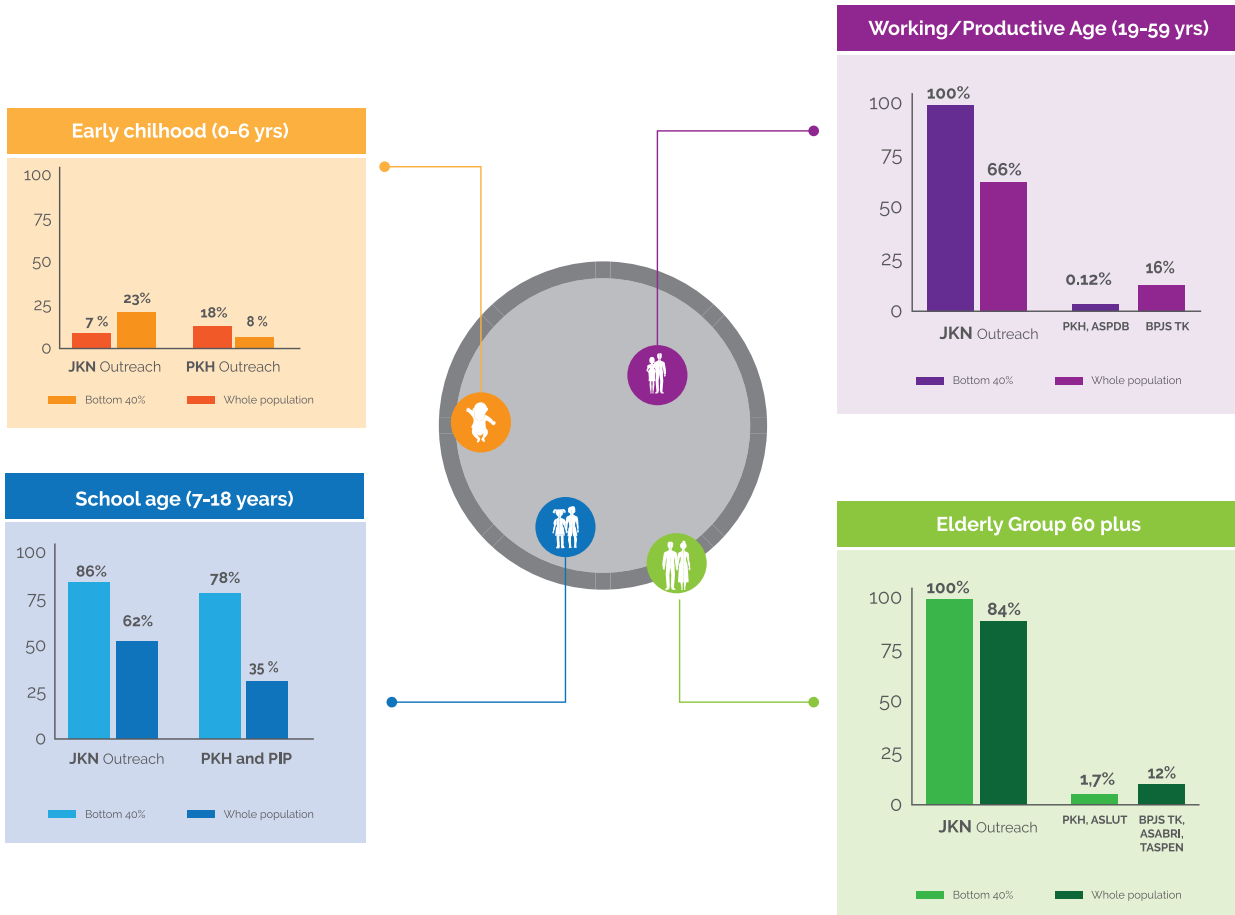
*Ketenagakerjaan*) and the Social Security Agency for Health (BPJS Kesehatan) to manage these schemes.

**By 2017, the Social Security Agency for Employment covered 15 per cent of the working age population and consisted mainly of formal sector workers, referred to as wage-recipients (*pekerja penerima upah – PU*) and small numbers of informal workers, referred to as non-wage recipients (*bukan penerima upah – BPU*).** However, contributing members (based on Presidential regulation No 109 of 2013) are obliged to join the casualty or work injury compensation scheme (JKK) and survivors' benefit scheme (JKM) as a prerequisite to joining the old age savings scheme (JHT) which can potentially discourage those in the informal sector with limited contribution capacity from saving for their retirement.

**It will be some time, however, before the contributions are enough to deliver adequate old age pensions.** There are also well-established private pension funds for civil servants. PT Asabri caters for employees in the military, police and Ministry of Defence, while PT Taspen caters for all other government employees and employees of state-owned enterprises.

**ES Figure 4 shows coverage of contributory and non-contributory schemes across the life cycle for those estimated as being in the bottom 40 per cent of the population and for the entire population.** Given that social assistance is currently targeted at the poor and vulnerable, social protection coverage is higher among the bottom 40 per cent across the life cycle. However, both figures show significant under-coverage across most stages in the life cycle.

**ES Figure 4: Coverage of Indonesia's social protection programs across the life cycle (contributory and non-contributory) among the bottom 40 per cent and across the entire population, 2017 (percentages)**



Source: Susenas 2017 and 2017 program administrative data – compiled and calculated by TNP2K (2018)

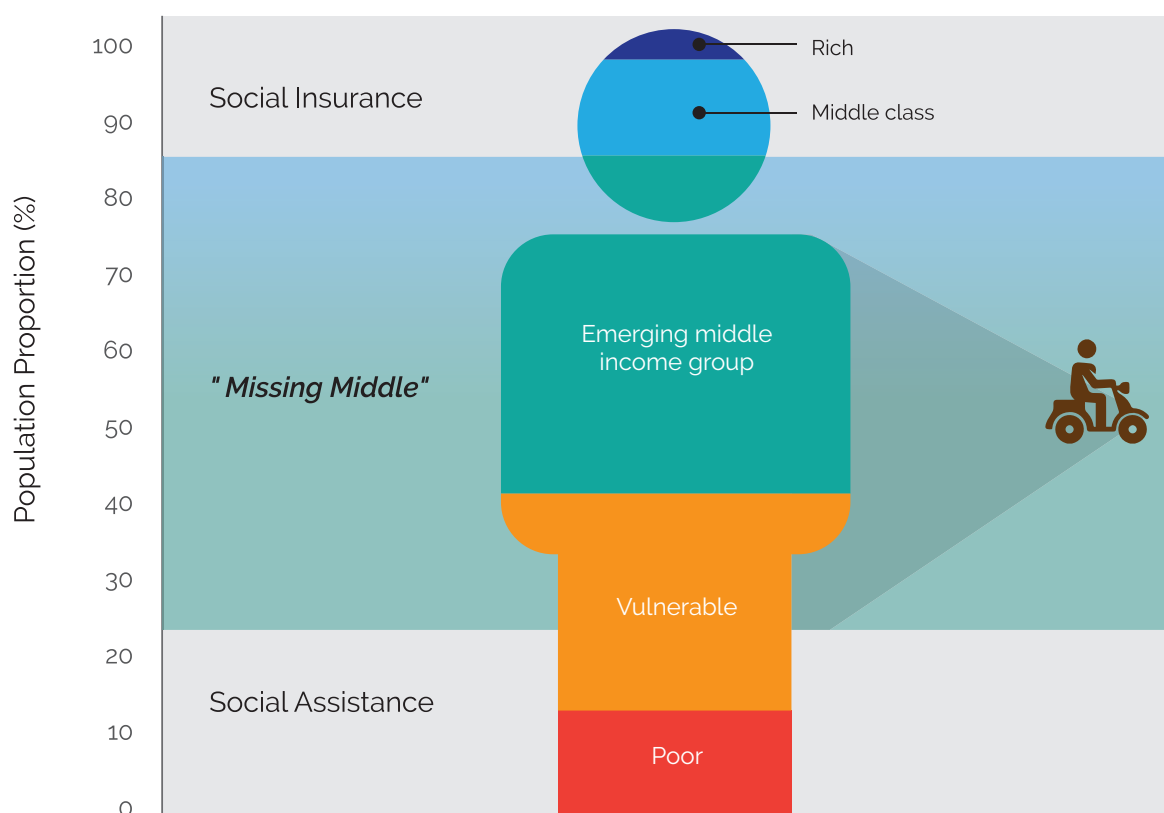
Notes:

- The percentage calculation of PKH and PIP outreach in the early childhood and school age groups assume perfect targeting among the poorest 40% of households;
- For the contributory schemes, the coverage among the elderly and productive age groups only represents contributions made into the schemes as there are very limited benefit pay-outs to date

**Indonesia's contributory schemes within the social protection system are currently reaching the more affluent members of society in the formal sector.** For those living in poverty, the government provides social protection through several non-contributory programs. However, the 'missing middle' still have limited government support to ensure their basic economic security (see ES Figure 5).<sup>7</sup>

<sup>7</sup> In reality, large parts of the target groups for both social assistance and social insurance programs are also excluded.

**ES Figure 5: The coverage of Indonesia's social protection system offering income transfers**



Source: Designed by TNP2K-MAHKOTA (2017)

**The social protection system should cover these middle-income households to ensure inclusive economic growth.** Furthermore, the 'missing middle' are the category of the population that make up a large portion of the voter population and they have been contributing members of society. As tax-paying citizens, benefits to this group should be seen as giving back a small percentage of their contributions in order to secure their continued loyalty and investment in the state.

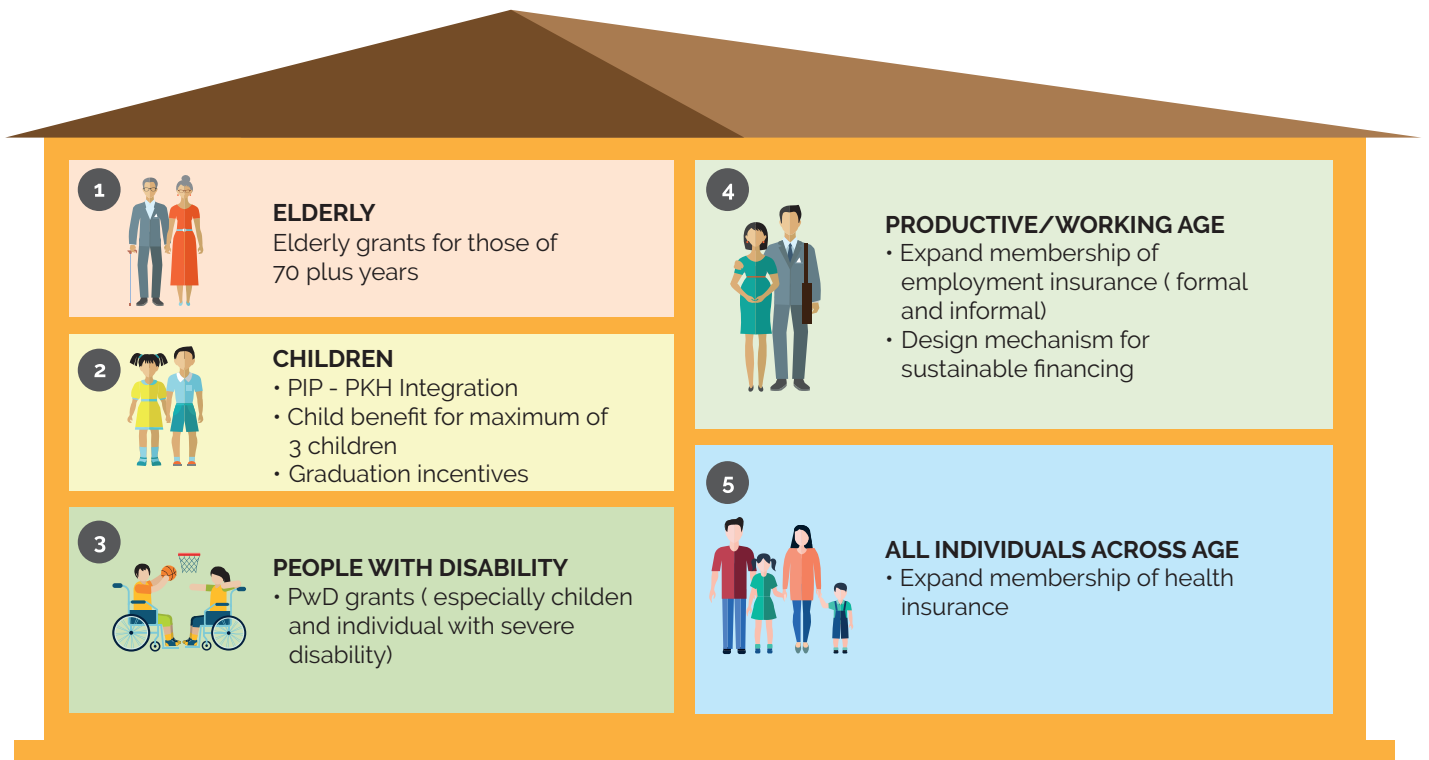
### Proposals for reforming the existing social protection system

Through this strategy, TNP2K recommends a social protection system that will protect poor and vulnerable citizens through social safety net schemes designed across the life cycle, as well as prevent health and employment related risks through accessible social insurance schemes. The proposed social protection system will also try to directly address many of the key challenges facing Indonesia and its citizens – particularly stunting in early childhood, low enrolment in secondary level education, disability and old age poverty.

It is recommended that Indonesia gradually move from a social protection system that targets the poorest through social assistance, towards a system that is inclusive of those on middle incomes. Those in the formal sector and those who can pay into the contributory system will receive benefits from social insurance. Progressively, the government should ensure that every citizen is protected, either through contributory or non-contributory schemes.

This strategy focuses on policy recommendations for expanding and reforming the system for 2020–2024. A subsequent publication will provide technical recommendations for this 2020–2024 period, followed by policy recommendations for the longer term.

ES Figure 6: Proposed reforms in the national social protection system, 2020–2024



Source: TNP2K 2018

Over the next five years, TNP2K proposes a reformed social protection system as shown in ES Figure 6 where each scheme is described in turn:

- **Child benefit: PKH and PIP have the same target group, particularly among school-age children, and it would therefore be more efficient to offer these benefits from a single program.** In 2020, the two programs should be integrated into one and provide a unified child benefit, increasing coverage to the poorest 15 million families with children. Each family should receive IDR200,000 per month per child for a maximum of three children in the family.<sup>8</sup>
- **Graduation incentive for school-age children: Given the low rates of secondary school enrolment, this strategy proposes an innovative scheme providing children with a lump-sum payment if they enrol in grade seven and in grade ten.** Students would receive a further graduation incentive payment through an individual savings account if they graduate from senior secondary school. The scheme should begin in 2020 and would initially offer the following sums based on enrolment: entering grade seven: IDR750,000, entering grade ten: IDR1,500,000 and graduating from senior secondary school: IDR3,000,000.
- **Disability grant: As a means of compensating families for the additional costs they incur in raising family members with a disability and giving disabled children and individuals more equal opportunities, extra financial support to families with severely disabled members (especially children) should be offered.** In 2020 children and working age adults who have severe disability should receive a disability benefit set at IDR300,000 per person per month.
- **Social insurance for working-age people: As a starting point, a change in Presidential regulation No 109 of 2013 is required, allowing non-wage earners to flexibly join any Social Security Agency for Employment program that best suits their needs and priorities, enabling them to actively save for old-age retirement.** In parallel, incentive mechanisms such as matching defined contributions (MDCs) into the elderly pension scheme (JP) should also be established to encourage contributions from non-wage earners with savings capacity.
- **Elderly grant: In line with best practice globally, this strategy recommends building a three-tiered social protection system for the elderly (see ES Figure 7).** The first tier

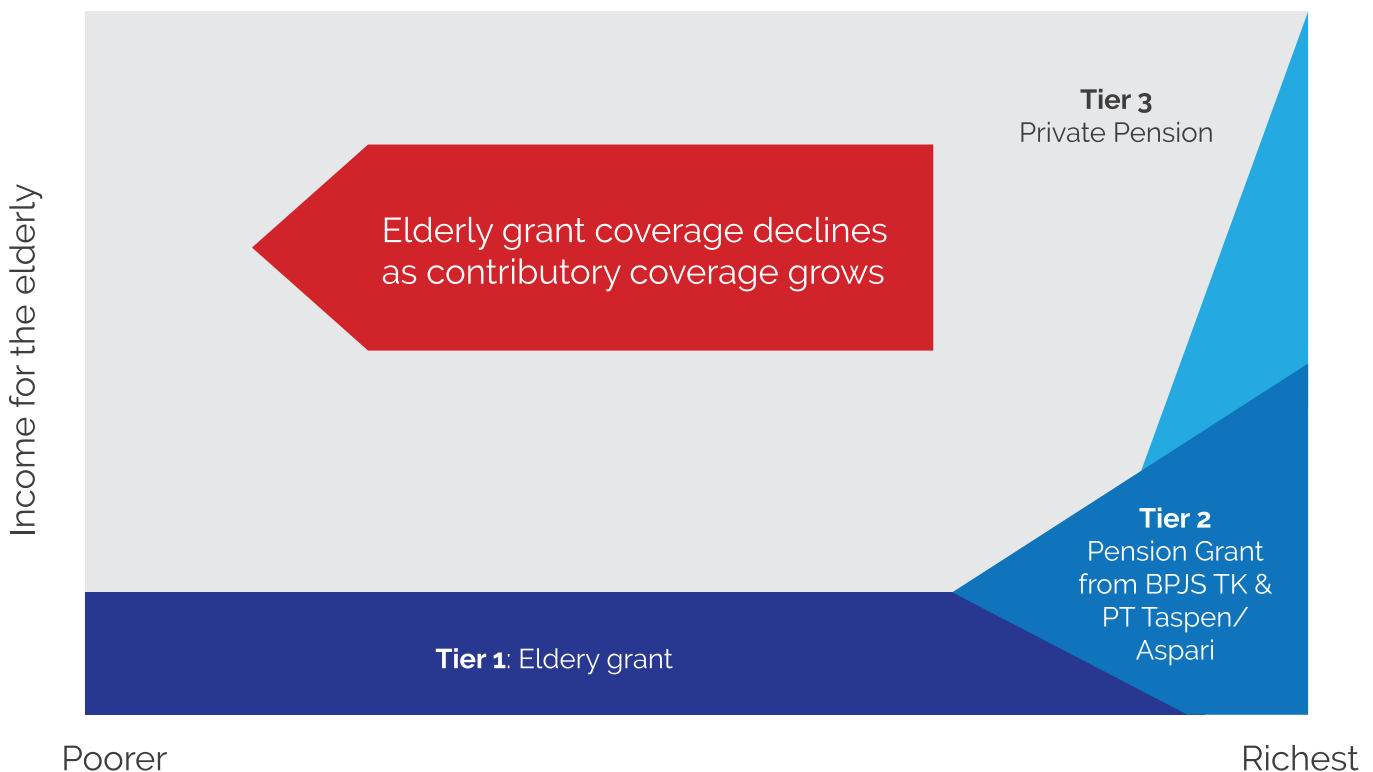
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<sup>8</sup> The benefits are based on 2018 values.

would be a non-contributory elderly grant starting at IDR300,000 per month, offered to all Indonesians above the age of 70 who are not benefitting from a contributory pension. The second tier would be the old age savings with disability benefit (JHT) and elderly pension (JP) programs managed by the Social Security Agency for Employment and civil service and military pensions which will benefit members of these schemes who have made sufficient contributions. The third tier would be private and employment-based pensions for a small proportion of the population who earn higher incomes and can afford the contributions.

- **Food assistance for the poor:** Given that nearly 30 per cent of household income is spent on food consumption among the bottom three deciles of the population, food assistance support (currently in the form of Rastra or BPNT) to the poorest 25 per cent families should continue to be offered. However, the program should be evaluated to inform its continuation beyond 2024.
- **National health insurance (JKN):** The government has planned for all Indonesian citizens to have access to JKN by 2019. While monitoring and evaluation efforts leading to improved implementation is recommended, no further reforms are required.

ES Figure 7: Indonesia's future three-tiered social protection system for the elderly



Source: Proposal TNP2K-Mahkota 2017

**The reforms over the next five years should contribute to the national poverty rate falling from 10.64<sup>9</sup> per cent to 6.18 per cent and the national poverty gap contracting by 41.9 per cent.** There would also be significant impacts on inequality with the Gini coefficient falling from 0.392 to 0.376, resulting in greater social cohesion.

**A comprehensive national social protection system such as the one proposed would significantly increase coverage, with 30 per cent of households receiving at least one program over the next five-year period.** Coverage should reach most people over the age of 70.

**The increased coverage would also lay the foundation for a shock-responsive social protection system.** If a region of the country is hit by a shock – such as a drought, flood, earthquake or an economic shock – the government will be able to use the national social protection system to immediately send additional financial support to households.

**The current investment in social assistance transfers is 0.35 per cent of GDP and the proposals, if implemented, will require an investment of 0.85 per cent of GDP over the next five years.** This investment will decrease to 0.70 per cent of GDP by 2024, assuming that transfers are indexed to inflation. This increased level of investment would boost consumption and stimulate economic growth in Indonesia.

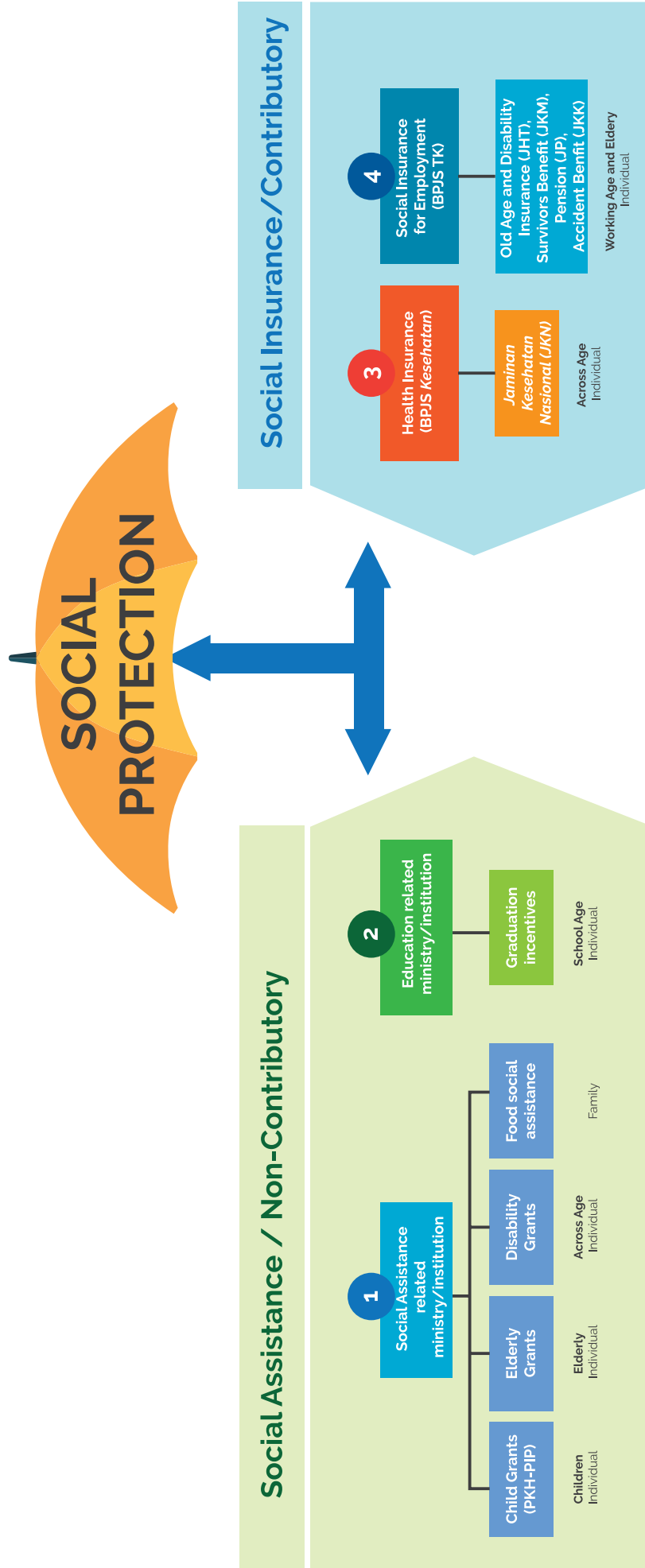
### **A reformed institutional structure for implementing social protection**

**In order to improve the potential impacts of Indonesia's social protection schemes, a reform of the system's institutional structure, as represented in ES Figure 8, is critical for the next five-year period.** Beyond 2024, however, rather than assigning these programs to existing ministries, it is suggested that a new independent agency, similar to the Social Security Agency (BPJS), be established to implement all non-contributory social assistance schemes through the issuance of a presidential regulation. This agency would be supervised by a steering committee consisting of related ministries, also appointed by presidential regulation and chaired by the president or vice president.<sup>10</sup>

<sup>9</sup> Based on Susenas 2017 data, although at time of publication the poverty rate had fallen to 9.82 per cent.

<sup>10</sup> The governance proposals beyond 2024 will be discussed in greater detail in the subsequent publication.

ES Figure 8: The social protection system's reformed institutional structure, 2020–2024







# INTRODUCTION



**T**his report, *The future of the social protection system in Indonesia: social protection for all*, presents a long-term vision for a comprehensive social protection system in Indonesia and a strategy consisting of concrete proposals, to improve the system over the next five years (2020–2024).<sup>11</sup> It outlines the current social protection context of Indonesia and provides a justification for increasing national investment in the social protection system. It suggests a change of approach, with access to social protection for citizens across all life stages, inclusive of the 'missing middle', those who are living on vulnerable incomes and not receiving social protection benefits in Indonesia, and it shows how this can be achieved.

### Box 1: Defining social protection in Indonesia

For this publication, social protection is defined as a system of regular and predictable transfers, in cash or in kind, that aim to protect poor and vulnerable citizens through social safety net schemes designed across the life cycle, as well as to prevent health and employment related risks through accessible social insurance schemes.

Social protection in Indonesia consists of two schemes, social assistance and social insurance. Social assistance is non-contributory and financed through the government budget while social insurance, consisting of health insurance and employment insurance, is financed through the contributions of its members. The social health insurance scheme is currently a hybrid, with a government-financed component for the poor and a contributory component for those who can afford it. Indonesia's social protection system will be further discussed in section 1.2.

This introduction outlines the current policy context in Indonesia and the methodology and structure used in compiling the strategy document.

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<sup>11</sup> A subsequent publication detailing proposals for the 2025–2040 time period is currently planned.

## Policy context

**Following independence in 1945, Indonesia benefitted from decades of strong economic growth which resulted in consistent and significant increases in living standards alongside reductions in extreme poverty.** For many years, the prevailing view was that the country could rely on strong economic growth to increase prosperity and reduce poverty for all Indonesians.

**Towards the end of 1997, however, the Indonesian economy contracted dramatically as a consequence of the Asian monetary crisis.** In the space of a few months, the economy reduced by 13 per cent, the rate of inflation soared and unemployment rose. In less than two years, the poverty rate increased from 15 to 27 per cent.<sup>12</sup> After having one of the most consistently high economic growth rates in the world, in 1997 Indonesia was forced to approach the International Monetary Fund (IMF) for assistance to overcome the crisis.

**In response to the crisis, the government established a social assistance package for those living in poverty. This package is known as the *Jaring Pengaman Sosial (JPS)* or **Social Safety Net (SSN)**.** The objective of these initiatives was to ease the economic burden on citizens and they included: a rice subsidy to counter scarce supplies and price increases; an education assistance program for poor students to keep children in school; and a community health insurance to reduce health costs for the family. These initiatives as well as a series of subsidies to offset the costs of fuel, fertiliser and electricity, influenced the shape of Indonesia's current social assistance system in many ways.

**From 2000, however, the national poverty rate began to fall once more, although at a slower rate than prior to the 1997/98 economic crisis.**<sup>13</sup> While Indonesia had been one of a number of countries globally to experience an average annual growth rate above 7 per cent from 1968 to 1981, economic growth reduced to approximately 5.6 per cent a year between 2007 and 2016. This signalled that government needed to consider economic stimulus measures to generate demand and increase consumption. Furthermore, inequality has been rising with the Gini co-efficient increasing from 0.35 in 2008 to 0.39 in 2017.<sup>14</sup> According to Grigoli and Robles levels of above 0.27 have a negative effect on economic growth<sup>15</sup> and may potentially disrupt social cohesion.

<sup>12</sup> Suryahadi, Sumarto and Pritchett (2003)

<sup>13</sup> TNP2K (2014)

<sup>14</sup> BPS (2017)

<sup>15</sup> Grigoli and Robles (2017)

**Indonesia's current long-term development plan (*Rencana Pembangunan Jangka Panjang Nasional – RPJPN 2005–2025*) shows government's commitment to expanding the national social protection system.** The plan states that social protection and social insurance mechanisms to fulfil people's basic rights and ensure they have access to services must be in place by 2025. In meeting the RPJPN target, the current medium-term development plan (*Rencana Pembangunan Jangka Menengah – RPJM 2014–2019*)<sup>16</sup> includes significant steps towards this, particularly in developing the legal regulations to extend health insurance (JKN) to most of the population. JKN currently reaches 200 million individuals and the employment insurance programs currently reach 25 million workers.<sup>17</sup>

**To ensure the plan is achieved, Indonesia has also increased social protection spending to 0.73 per cent<sup>18</sup> of gross domestic product (GDP)** resulting in significant expansion of social assistance schemes, such as the conditional cash transfer program for poor families, *Program Keluarga Harapan* (PKH) and the cash transfers for poor students, now known as *Program Indonesia Pintar* (PIP).<sup>19</sup> However, overall coverage remains low. In 2017, overall investment in social assistance schemes that offer income support will amount to 0.35 per cent of GDP.<sup>20</sup> This is low in relation to investment in other sectors, such as infrastructure. Indonesia's current investment in social protection is still below what is expected of a middle-income country, resulting in major gaps in coverage, particularly regarding young children, the elderly, people with disabilities and most of the population on middle incomes – the so-called 'missing middle' – who are still vulnerable to risks and shocks.

**Despite the achievements, significant challenges persist within the social protection sector.** A strong legal framework to expand the social assistance sector is yet to be established. Existing regulations<sup>21</sup> focus on meeting the basic needs of those living in poverty, rather than comprehensively addressing the vulnerabilities of citizens.

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<sup>16</sup> Long-term development is defined by the national long-term development plan (RPJPN). The current long-term plan runs from 2005 to 2025. Medium-term development is defined by the national medium-term development plan (RPJMN). The current medium-term plan runs from 2015 to 2019 (Bappenas 2014).

<sup>17</sup> Law No 40 of 2004 on the national social security system and Law No 24 of 2011 on the administration of social security (Bappenas 2014)

<sup>18</sup> Inclusive of government spending on health insurance, employment insurance and social assistance schemes

<sup>19</sup> According to World Bank (2017), PKH doubled its number of beneficiaries between 2010 and 2016, and PIP quadrupled its number of beneficiaries.

<sup>20</sup> Ministry of Finance (2017)

<sup>21</sup> Law No 13 of 2011 on *Penanganan Fakir Miskin* (Law of Handling Poor People)

**A large proportion of Indonesians remain vulnerable to falling into poverty and many still face barriers to accessing the social protection system. A quarter of the population live below the national poverty line of IDR11,994 (equivalent to USD2.39)<sup>22</sup> per person per day and more than 86 per cent of the population live on less than IDR55,824 (equivalent to USD11.14)<sup>23</sup> per day<sup>24</sup>.** Additionally, approximately 36 per cent of children under five years old are stunted which may lead to irreversible damage in their cognitive development. The population is ageing and by 2030 nearly 14 per cent will be over 60 years old, with the vast majority currently having no access to pensions.<sup>25</sup> Around 9 per cent of the population have a moderate or severe disability but receive limited financial assistance from the government while children with disabilities are also barely covered by the social protection system.

To address these challenges, this strategy advocates greater coverage so that the missing middle has improved access to the social protection system and the system gradually moves towards addressing vulnerabilities across the life cycle (see Chapter 4).

## Vision, goal and principles

**Indonesia's vision for social protection is enshrined in the constitution which stipulates the right to social security (inclusive of social protection) for all Indonesian citizens.**

The goal of this strategy is to present concrete proposals to reform and improve Indonesia's social protection system over the next five years (2020–2024). Both the vision and goal aim to achieve this constitutional mandate and propose an Indonesian society that protects all citizens from risks and challenges through an inclusive social protection system.

The principles guiding the strategy are aligned to life-cycle based analyses, gender sensitivity and being disability inclusive

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<sup>22</sup> USD1 = IDR 5,013 (PPP 2017)

<sup>23</sup> *ibid*

<sup>24</sup> Calculations performed by the National Team for the Acceleration of Poverty Reduction (TNP2K) and MAHKOTA using the National Socio-economic Survey (Survei Sosial dan Ekonomi Nasional – Susenas) 2017.

<sup>25</sup> UN DESA (2017)

## Methodology

The strategy is underpinned by a range of different analyses, including:

- Analyses of poverty dynamics and life-cycle risks using the national socio-economic survey (predominantly Susenas 2017),<sup>26</sup> the Indonesian Family Life Survey (IFLS 2007-2014), national basic health research (Riskesdas 2013), labour force surveys (Sakernas 2015) and the intercensal population surveys (SUPAS 2015). At the time of publication, the Central Bureau of Statistics (*Badan Pusat Statistik* – BPS) announced the national poverty rate as 9.8 per cent. Given that Susenas 2018 is not yet publicly accessible, this document uses the poverty rate of 10.6 per cent, derived from Susenas 2017.
- Analyses of social protection coverage at national and regional levels using the 2015 Unified Database (UDB) and administrative data from existing social protection programs in 2017;
- Reviews of the current institutional arrangements and political economy of the social protection sector in Indonesia;
- Qualitative case studies of innovative social protection programs implemented at the sub-national level;
- Analyses of fiscal space and financing options for expanding the social protection system.

## Structure and contents

**This strategy report is structured as follows:**

### Chapter 1 Rationale for the social protection strategy

This chapter provides the background to the strategy, briefly describing the rationale, presenting relevant conceptual frameworks and also analyses of how social protection can create the preconditions for economic growth.

### Chapter 2 The economic, social and demographic context

This chapter analyses the broader economic challenges that Indonesia currently faces, particularly around poverty, low incomes and insecurity, and rising inequality. The discussion includes an analysis of the challenges across the life cycle – covering early childhood, school-age children, young people, people of working age and the elderly. Crosscutting issues, such as gender and disability, are also explored.

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<sup>26</sup> At the time of the publication, BPS has already published the national poverty rate at 9.8 per cent (March 2018). Nonetheless, since Susenas 2018 is not available yet for public use, the publication uses the poverty rate of 10.6 per cent based on Susenas 2017.

### **Chapter 3 Indonesia's current social protection system**

This chapter elaborates on the current social protection system in Indonesia. The four subsections focus on: (1) the current social protection investment levels and the scope and coverage of existing social protection programs; (2) the non-contributory or tax-financed social protection system; (3) the contributory system or social insurance; and (4) the coverage and gaps in the Indonesian social protection system across the life cycle. It also describes the institutional arrangements of the existing social protection programs and presents case studies of local-level innovations.

### **Chapter 4 The way forward**

This chapter outlines the rationale for increased investment in social protection in Indonesia and articulates a vision for the future of social protection in the country. The chapter suggests alternative social protection programs and analyses their coverage, benefit levels, and costs as well as impacts on the poverty level and inequality for the next five years (2020–2024). It also explores alternative institutional arrangements for implementing social protection in Indonesia.







# 1

## RATIONALE FOR THE SOCIAL PROTECTION STRATEGY



This strategy sets out the future of social protection in Indonesia. It focuses on the potential reform and expansion of the social protection system so that in the future all citizens have access to social protection. The proposed strategy presents the case for a much-needed, increased and sustained investment in Indonesia's social protection system. There is strong international evidence that when countries invest in comprehensive social protection systems, they enjoy significant reductions in poverty and inequality.<sup>27</sup>

## 1.1 Contributing to economic growth and development

**Social protection plays a critical role in generating sustainable economic growth and building a cohesive society.** For example, there is strong evidence that investing in cash transfers can significantly reduce stunting by enabling parents and carers to purchase more and higher quality food. Stunting can have an irreversible impact on children's cognitive development and reduce their future productivity in the labour force, resulting in a loss to any economy. A person who suffered from stunting as a child is likely to earn 26 per cent less than those who reached their full development potential.<sup>28</sup>

**Furthermore, social protection also plays a key role in helping children access school** – particularly among families struggling with the costs of schooling – thereby enhancing the skills of the future labour force. Improvements in the home environment resulting from income security also help children perform better at school.<sup>29</sup>

**Access to social protection in the form of regular and predictable transfers also enables recipients to engage in paid work and micro-enterprises.** The guarantee of a regular transfer and income security means that recipients no longer need to worry about feeding their families and they can make longer-term plans. This includes investing in their own income-generating activities and entering into higher-return activities. In Mexico's Oportunidades program, for example, recipients invested 14 per cent of their transfers in productive assets, including animals and land.<sup>30</sup>

**Recipients of cash transfers are more likely to participate in employment.**<sup>31</sup> People use their transfers to cover the costs of finding and engaging in work, such as transport, clothing and child care. Child support grant beneficiaries in South Africa, for example, are

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<sup>27</sup> See, for example: Kidd (2014); Bastagli *et al.* (2016); Barrientos and Scott (2008); Bukuluki and Watson (2012)<sup>28</sup>

<sup>28</sup> Richter *et al.* (2017)

<sup>29</sup> Veras *et al.* (2007); Samson *et al.* (2004); de Carvalho Filho (2008); IEG (2011); Mendizabal and Escobar (2013); and, Huang and Zhang (2016)

<sup>30</sup> Gertler *et al.* (2007, 2012)

<sup>31</sup> Handa *et al.* (2017)

15 per cent more likely to be in work and 18 per cent more likely to look for work. Labour force participation increased by 8 per cent among recipients of Colombia's Familias en Accion program and there was an 8 per cent increase in women working when they participated in Lesotho's child grants program.<sup>32</sup>

**Social protection helps families hit by shocks by reducing the likelihood that they will sell productive assets as a coping strategy.** In Ethiopia, 60 per cent of households on the productive safety net program avoided selling assets to purchase food when they experienced a shock.<sup>33</sup> By not selling their assets, families can bounce back to higher productivity more quickly once the crisis dissipates, offering a significant boost to the economy.

**The provision of old age pensions means people can withdraw from the labour force once they reach the age of eligibility, freeing up opportunities for younger people.** A social pension in Brazil led to a reduction in hours worked among those aged 65 and above while Mexico's social pension reduced the proportion of recipients undertaking paid work by 20 per cent, although most switched to working in family businesses.<sup>34</sup> In Uganda, as pensioners withdraw from the labour force, more young people are being employed.<sup>35</sup>

**The additional costs that people with disabilities face are a significant barrier to their gaining employment.** Disability benefits can cover many of these additional costs, for example for transport, so that they have greater and more equal opportunities to access jobs and contribute to the economy.<sup>36</sup> In effect, disability benefits enable countries to unlock a source of skilled labour that is often hidden away.

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<sup>32</sup> Samson *et al.* (2008); Barrientos and Villa (2015); Daidone *et al.* (2014)

<sup>33</sup> OPM and IDS (2012)

<sup>34</sup> Kassouf and Oliviera (2012); Galiani *et al.* (2014)

<sup>35</sup> Llewellyn and Kuss (2017)

<sup>36</sup> Kidd (2017)

<sup>37</sup> FAO (2016)

**Countries use social protection transfers to generate consumption and demand and to stimulate their economies, offering opportunities for entrepreneurs.** At a local level, the Food and Agriculture Organisation (FAO) has shown that injecting cash into local economies through social transfers can generate multipliers of between 30 and 140 per cent, as the cash circulates in the local economy through greater consumption and promotes employment. At a national level, beneficiaries spending social protection funds can generate significant demand and offer opportunities to entrepreneurs. In the United States of America during the global recession, increased investments in social protection generated the same level of growth as investments in infrastructure.<sup>38</sup>

**Social protection also plays a critical role in strengthening social cohesion. Inclusive and cohesive societies depend on a strong commitment between citizens and the state.** When citizens receive cash transfers on a regular and predictable basis, it is evidence of this commitment in practice. However, social protection schemes need to be high quality and they must also reach taxpayers. When social protection schemes are only available to those living in poverty and exclude the main taxpayers who pay for the schemes, this commitment may be weakened and the middle class can become increasingly disconnected from the rest of society.<sup>39</sup>

**However, achieving such significant economic and social impacts requires an increase in investment in social protection similar to the investment levels of other middle-income countries (see Figure 1).** Indonesia reaches its centennial in 2045 and is on its way to becoming an upper middle-income country. To ensure the country benefits from the demographic dividend and expanding labour force,<sup>40</sup> the government needs to gradually increase investment in social protection from the current levels of 0.73 per cent.

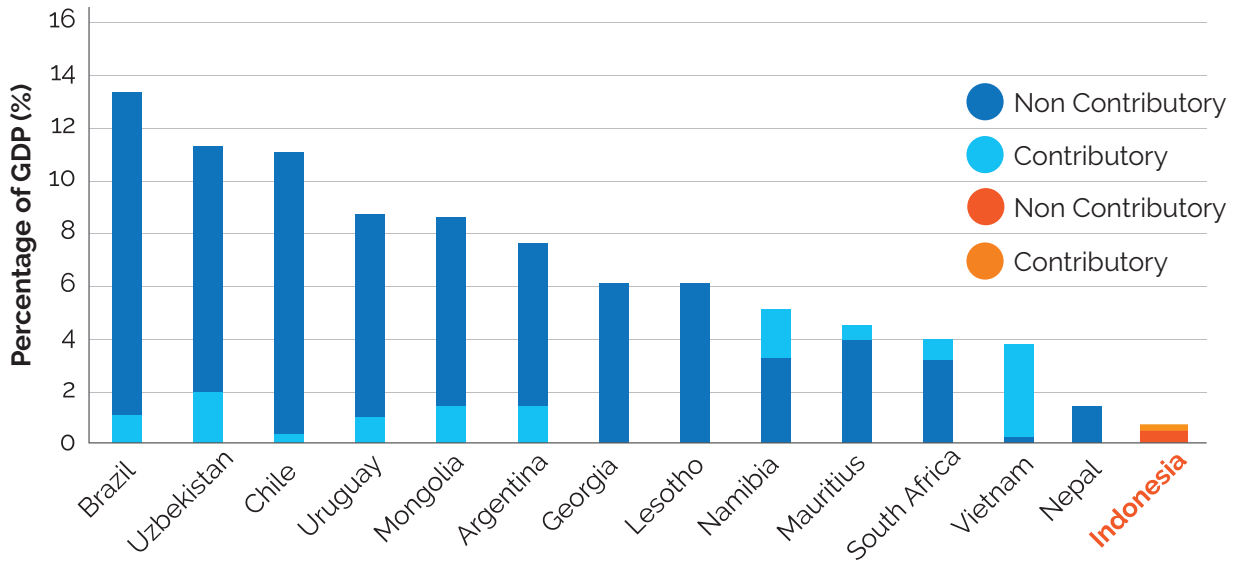
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<sup>38</sup> Zandi (2008)

<sup>39</sup> World Bank (2018)

<sup>40</sup> IMF (2018)

**Figure 1: Levels of investment in social protection across a range of low-income and middle-income countries, excluding civil service pensions<sup>41</sup>**



Source: TNP2K-Mahkota (2018)

Investment in cash transfers should also address vulnerabilities across the life cycle by prioritising support to the most at-risk categories of the population, in particular young children, people with disabilities and the elderly. As this strategy will show, these three groups remain the most vulnerable segments of Indonesia's population with the least support and they are in great need of improved social assistance support.

## 1.2 Conceptual framework

Social protection schemes are usually divided into contributory and non-contributory schemes, as outlined in Box 2. In the context of Indonesia, these also include subsidies to enable people to access health services and absorb rising fuel and electricity costs.

<sup>41</sup> The investment level for Indonesia includes spending on social health insurance which is not incorporated into the investment levels for other countries. In the countries represented in this graph, the investment level combines spending on both social insurance and social assistance schemes.

## Box 2: Distinction between non-contributory and contributory schemes

### Non-contributory or tax-financed schemes

Non-contributory schemes do not require beneficiaries to pay specific contributions prior to receiving benefits but are funded through the tax system as well as from other government revenue sources. In Indonesia, non-contributory schemes are referred to as social assistance. Eligibility for benefits is dependent on citizenship or residence, as well as certain age-based criteria or poverty status. Tax-financed programs can be either universal or targeted at those living in poverty.

### Contributory schemes

Contributory schemes require beneficiaries to make financial contributions to receive support. They provide security against particular events, such as loss of work capacity, unemployment and old age. In Indonesia, contributory schemes are sometimes referred to as 'social security'.

Indonesia's contributory scheme is stipulated in Law No 40 of 2004 on the national social security system (SJSN) that regulates five social security programs: (1) health insurance (JKN); (2) work injury compensation (JKK); (3) old-age savings with disability benefit (JHT); (4) elderly pension (JP); and (5) survivors' benefit (JKM).

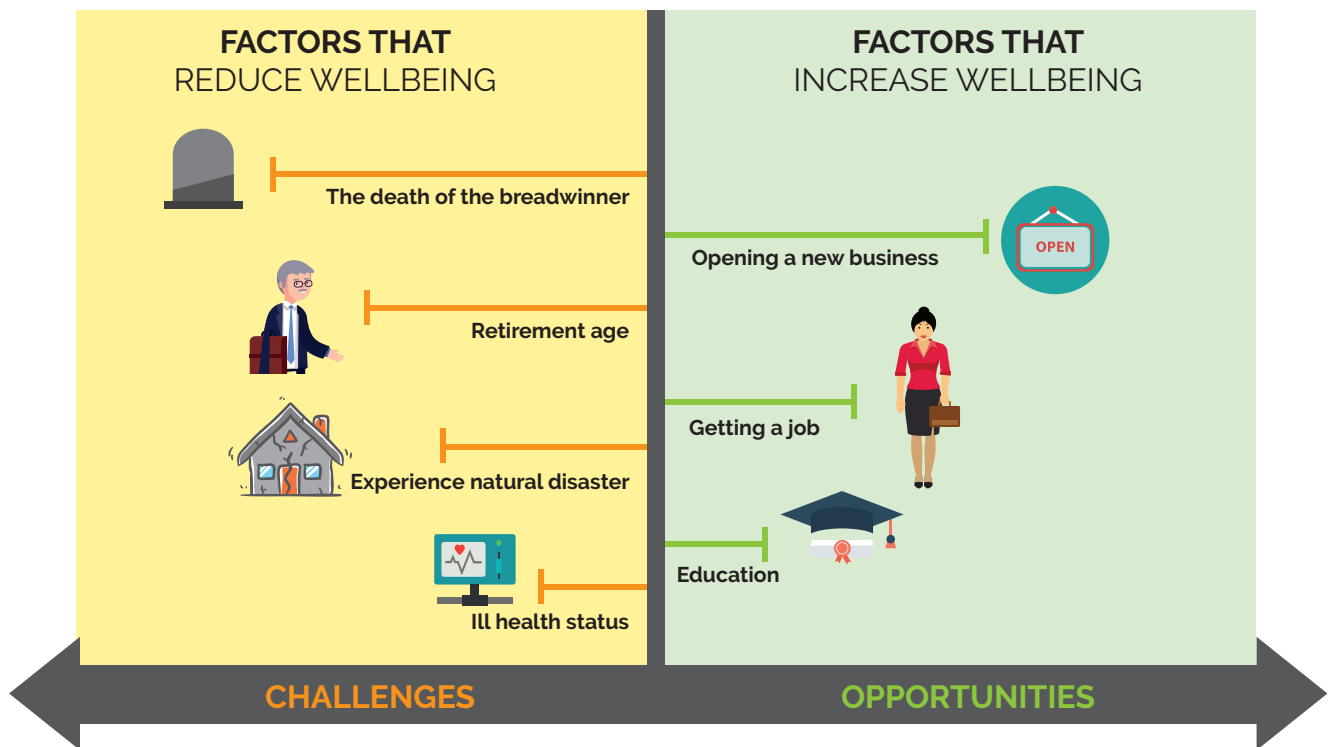
The strategy analyses coverage of the national social protection system through a life-cycle lens that categorises vulnerabilities based on age and stages of life. The life-cycle approach refers to the different needs of people at different ages, from their conception through to their death.<sup>42</sup> Pregnant mothers and young children, for instance, are vulnerable to undernutrition and the subsequent impacts of stunting and poor cognitive development. School-age children require support to access basic educational services, while youth and working-age people need employment opportunities, vocational training and protection against work injury or loss of work capacity. Once individuals reach old age, they face higher risks of disability, illness and income loss due to retirement or weak physical capacity. Disability can affect individuals at any stage of their lives, as can community or covariate shocks, such as natural disasters.

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<sup>42</sup> Bonilla-Garcia and Gruat (2003); Cain (2009)

Life-cycle risks and challenges can affect people's standard of living, particularly when a comprehensive social protection system is not in place. For example, the birth of a new child will invariably result in higher costs for a family and a lower income from work for the mother (particularly in the absence of child care), placing significant economic pressures on a household. Similarly, when a breadwinner reaches old age and transitions from earner to dependent, the family must contend with a loss in income and invest more resources in providing home and health care. Figure 2 illustrates how predictable challenges and opportunities can drastically shape the economic trajectory of an average person's life. Therefore, people – even if not born into poverty – can fall below the poverty line in the face of life-cycle related events in the absence of income security.

**Figure 2: Factors that positively and negatively impact the wellbeing of a middle-income household**



**Notes:** Figure 2 was constructed using IFLS 2007 and IFLS 2014 for households that belong to the 35th–45th percentile of the socio-economic distribution. The aim is to illustrate how life-cycle events can impact the wellbeing of those in the 'missing middle'. The analysis was based on the correlation (in order of significance) between the change in household income with the most prevalent life events that impact households within the 35th to 45th percentiles.

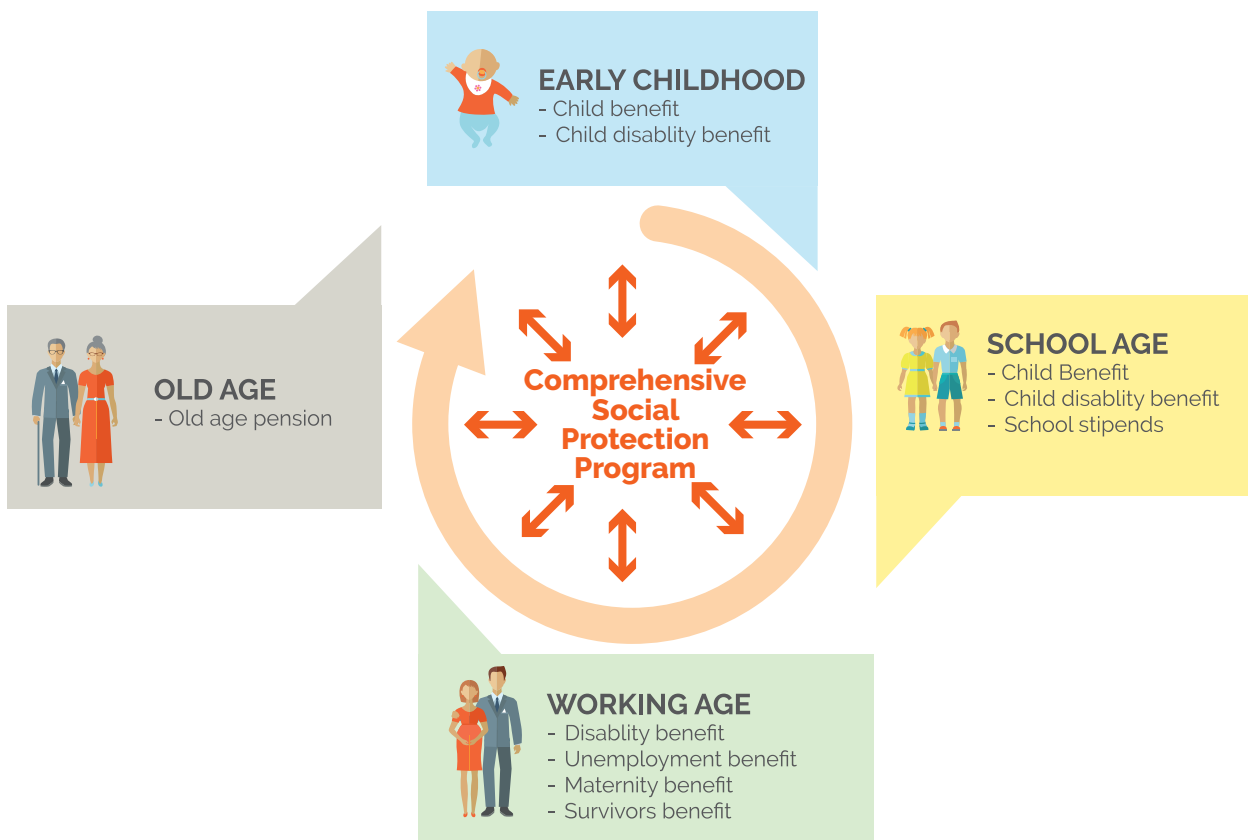
For example, when people have a serious illness, it has a negative correlation to their wellbeing (-0.23); the death of a breadwinner has a negative correlation of -0.46; attaining retirement age has a negative correlation of -0.35; and impacts from natural disasters have a negative correlation of -0.33. On the flipside, opening a new business has a positive correlation with wellbeing of 0.60; getting a job has a positive correlation of 0.43 and getting a university degree has a positive correlation of 0.26.

Source: IFLS (2007 and 2014)

Providing social protection to citizens across the life cycle, as outlined in Figure 3, forms the basis of social protection in many countries. In most high and upper middle-income countries, the core schemes include benefits for the elderly, for people with disabilities and for children, and these are often complemented by schemes for survivors, the unemployed as well as small, residual social assistance programs for poor and vulnerable families. Many developing countries, such as Argentina, Brazil, South Africa, Namibia, Mauritius, Mongolia, Kyrgyzstan, Uzbekistan and Nepal, are also in various stages of developing life-cycle based social protection systems.<sup>43</sup>

**Countries adopt life-cycle based social protection systems because they address the causes of poverty, unlike schemes targeted at poor households that only address the symptoms of poverty.** Given the inclusiveness of life-cycle schemes, they can also command significant popular and political support which generates larger and more sustainable funding.<sup>44</sup>

**Figure 3: The main types of social protection schemes found in many countries addressing challenges people face across the life cycle**



<sup>43</sup> Babajanian, Hagen-Zanker and Salomon (2015); Kidd (2017); World Bank (2017)

<sup>44</sup> DFID (2005); Peyre Dutre (2007)



### 1.3 The right to social security in Indonesia's legislation and international commitments

Indonesia's legal framework fully recognises the right to social security (protection) for all citizens. The national constitution states that:

'Every person shall have the right to social security in order to develop themselves fully as dignified human beings' (Article 28H.3).

and:

'The state shall develop a system of social security for all of the people and shall empower the inadequate and underprivileged in society in accordance with human dignity' (Article 34.2).

Law No 40 of 2004 on the national social security system states that:

'Social security is a form of social protection to ensure that all citizens are able to provide for the minimum basic life needs' (Article 1.1);

and:

'Each individual has the right to social security to be able to provide for their minimum basic life needs and enhance their self-esteem, towards the creation of a safe, just and prosperous Indonesian society' (introduction, Clause a).

These rights are similar to those outlined in a range of international conventions ratified by Indonesia (see Box 3). As Box 3 indicates, international conventions focus on ensuring social security to address life-cycle risks.

### Box 3: Right to social security (protection) in international conventions

The Universal Declaration of Human Rights (ratified by Indonesia) states:

- **Article 22:** 'Everyone, as a member of society, has the **right to social security**'
- **Article 25:** '(1) Everyone has **the right to a standard of living** adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the **right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control**'

'(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same **social protection**'

Similar rights are outlined in a range of other conventions ratified by Indonesia, including the International Convention on Economic, Social and Cultural Rights, Convention on the Elimination of all forms of Discrimination Against Women, the Convention on the Rights of the Child and the Convention on the Rights of Persons with Disabilities.

The life-cycle system has also been encapsulated in the International Labour Organization (ILO) Social Protection Floors Recommendation No 202 of 2012 which was endorsed by 185 ILO member countries in 2012, including Indonesia (see Box 4). This recommendation specifies that member states should establish nationally-defined social protection floors which guarantee, at a minimum, that over the life cycle everyone can access essential health care and basic income security.<sup>45</sup>

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<sup>45</sup> See ILO Recommendation No 202 of 2012 and <http://socialprotection-humanrights.org/key-issues/social-protection-systems/social-protection-systems-and-social-protection-floors>. The ILO's Flagship world social protection report 2014/2015 provides a comprehensive overview of global social protection systems, following a life-cycle approach.

#### Box 4: Social protection floor

The logic of an inclusive, life-cycle system has been encapsulated in the social protection floor concept that was endorsed by ILO member countries – including Indonesia – in 2012. At the heart of the social protection floor idea is a commitment by countries to provide:

- Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
- Basic income security for people of an active age who are unable to earn sufficient income, particularly in cases of sickness, unemployment, maternity and disability; and
- Basic income security for older persons.

**Indonesia has also agreed to the Sustainable Development Goals (SDGs) that recognise the importance of building comprehensive and effective social protection systems.**

Social protection can be found across these goals as indicated in Figure 4. Social protection is uniquely placed to serve as a tool for connecting different goals and moving the 2030 Agenda for Sustainable Development forward more effectively. Social protection policies play a critical role in reducing poverty and inequality and supporting inclusive growth. Hence social protection can serve as a driver and enabler to achieve all of the Sustainable Development Goals, as recognised by Presidential regulation No 59 of 2017 that provides guidance on effective program implementation to achieve the intended SDG objectives.

**Figure 4: Summary of how social protection is incorporated in the Sustainable Development Goals**



**Target 1.3**

Implement nationally-appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable



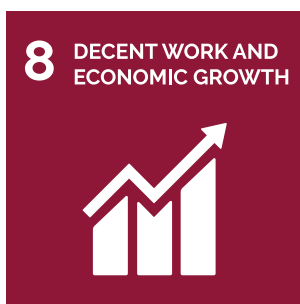
**Target 3.8**

Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all



**Target 5.4**

Recognise and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate



**Target 8.5**

By 2030, achieve full and productive employment and decent work for all women and men, including young people and people with disabilities, and equal pay for work of equal value



**Target 10.4**

Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality





# 2

## THE ECONOMIC, SOCIAL AND DEMOGRAPHIC CONTEXT



**I**n developing proposals for Indonesia's future national social protection system, the current challenges the country faces should be examined, as well as how far the government could address these issues by investing more in social protection and improving the design of the system. This chapter outlines the key challenges and starts by discussing the broad economic challenges and inequalities facing Indonesia (2.1). It goes on to discuss the demographic changes that Indonesia is currently experiencing (2.2) and then takes a deeper look at challenges across the life cycle (2.3), including disability (2.4).

## 2.1 Broad economic challenges and inequalities

This section provides a succinct overview of the broad economic challenges and the growing inequalities in Indonesia, including issues around poverty, low incomes and insecurity.

### 2.1.1 Slowing economic growth

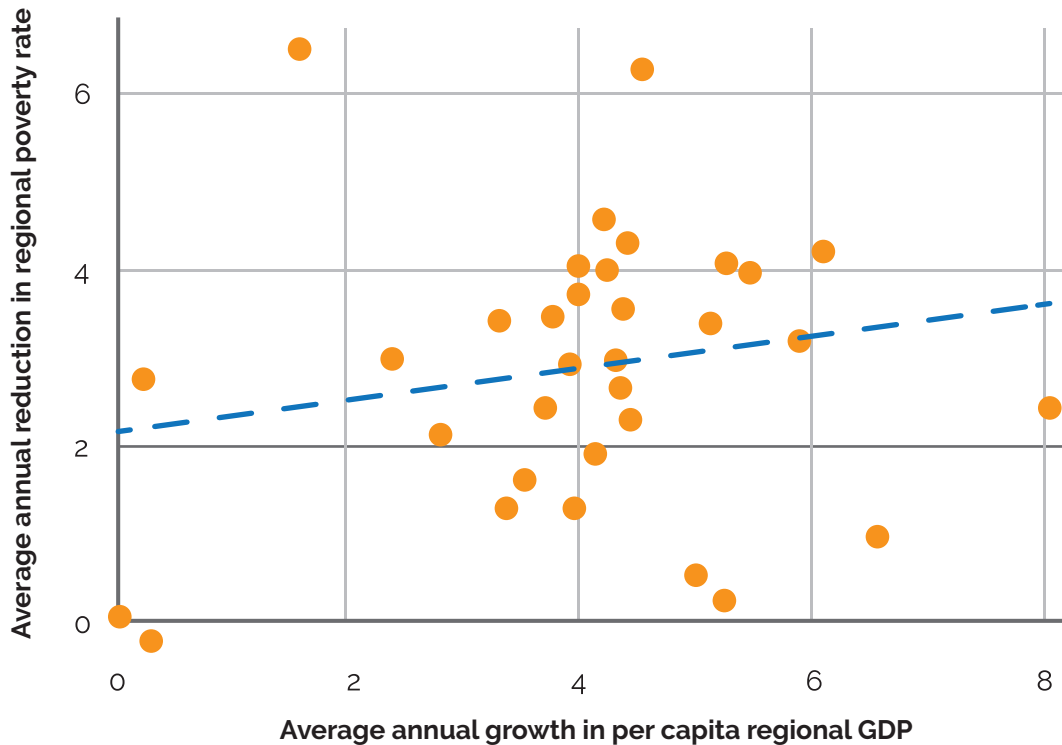
**During much of the past 30 years, Indonesia enjoyed strong economic growth and a significant reduction in poverty.** Latterly, the favourable external environment drove economic growth, including a commodity boom between 2003 and 2011, and low global interest rates that helped business, boosted government revenues and stimulated domestic demand.<sup>46</sup> However, Indonesia can no longer count on these factors as it moves forward. Economic growth and poverty reduction rates have slowed down with annual economic growth reducing from 7 per cent to 5.6 per cent between 2007 and 2016 on average. Furthermore, domestic demand has fallen significantly. As Indonesia recovered from the Asian economic crisis from 1999 to 2007, average household expenditure was 61.4 per cent of GDP but as the economy faltered between 2013 and 2015, it dropped to 57 per cent of GDP.

**The relationship between economic growth and poverty reduction is complex.** For example, the provinces with higher average GDP growth do not necessarily have higher rates of poverty reduction (see Figure 5). To promote inclusive economic development both economic growth and equitable income distribution need attention.

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<sup>46</sup> World Bank (2014b)

**Figure 5: Relationship between economic growth and poverty reduction at provincial level, 2011–2016**



One dot = one province  
Source: BPS (2017)

### 2.1.2 Labour market challenges

**Indonesia's workforce is relatively undereducated – nearly 50 per cent have obtained only elementary education and 6.3 per cent have a university degree or equivalent.**<sup>47</sup> Only 25 per cent of the labour force has completed senior secondary education which is low by regional standards. There are concerns that secondary schools, including vocational schools, do not provide students with adequate skills for the labour market.<sup>48</sup> The economic returns to education in Indonesia are low compared to in neighbouring countries and have declined in recent years.<sup>49</sup> In 2012, around 40 per cent of young people in Indonesia were out of education, training or work. Those with limited schooling who are working tend to end up in informal jobs that pay below the official minimum wage.<sup>50</sup>

<sup>47</sup> World Bank (2013)

<sup>48</sup> World Bank (2010a)

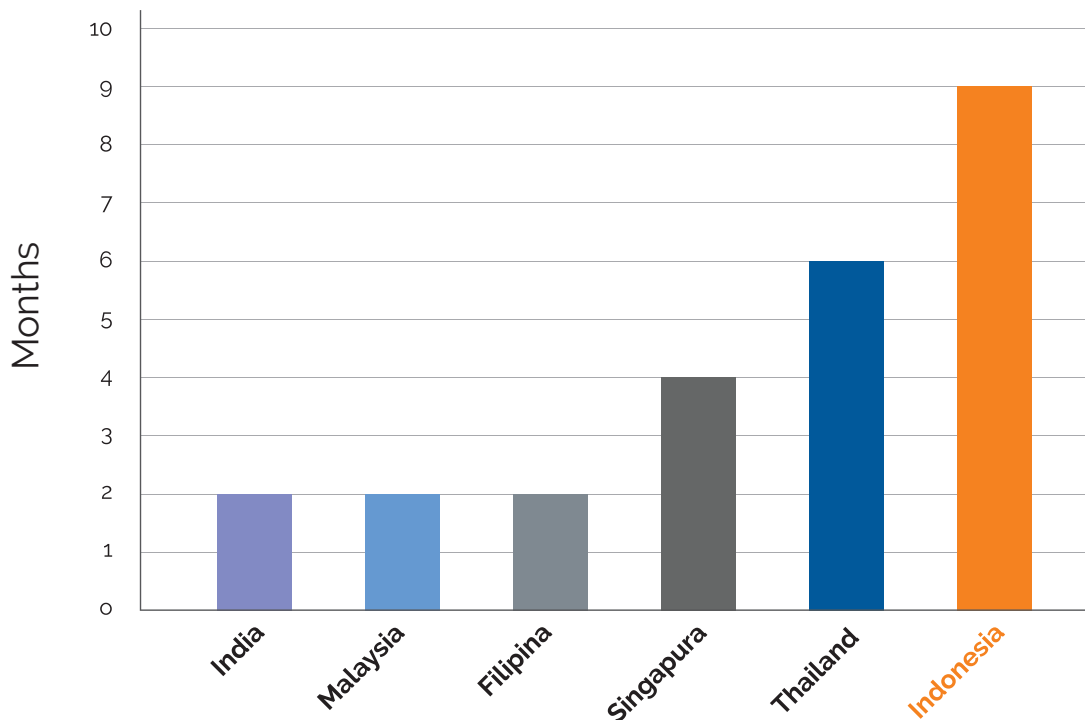
<sup>49</sup> Coxhead (2014)

<sup>50</sup> World Bank (2013; 2014c)

**Low skills levels are linked to low productivity and Indonesia's productivity is below that of its regional competitors, such as Thailand, the Philippines and China.** Malaysia's average labour productivity per worker is five times higher than Indonesia's.<sup>51</sup> These low productivity levels reflect the situation where over 50 per cent of workers in Indonesia are in either the agricultural or low-end services sectors. If Indonesia can move its labour force into more productive sectors, this will bring significant benefits.

**A further core challenge that the Indonesian labour market faces is the excessive rigidity within the formal sector.** Indonesia's hiring and firing regulations are among the most inflexible in the world. In 2009, Indonesia was ranked 157th out of 181 countries and 23rd out of 24 countries in Asia and the Pacific.<sup>52</sup> Severance pay rates are particularly high and rise significantly with years of service. Figure 6 compares severance pay rates after four years of service across a number of Asian countries, showing that Indonesia has the highest rate. Severance pay rises to around 30 months of salary beyond 20 years of service.

**Figure 6: Severance pay rates after four years of employment across a range of Asian countries**



Source: Manning and Corden (undated) and ILO (2013)

<sup>51</sup> World Bank (2014a).

<sup>52</sup> World Bank (2010).

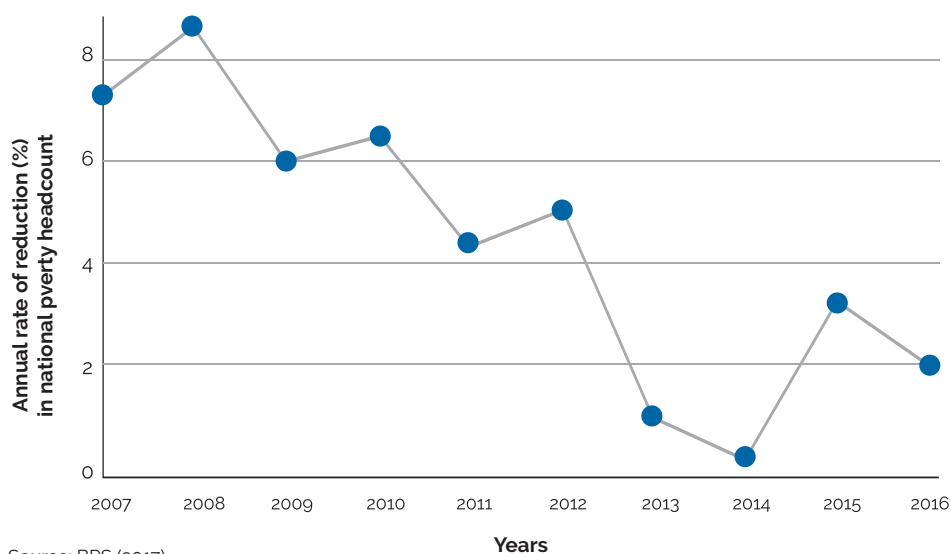


**High rates of severance pay impact on the Indonesian labour market and on economic growth in a number of ways.** Access to formal sector employment is restricted since employers are worried about the costs of laying off workers in a downturn. They prefer to employ people on informal or semi-formal terms or on short contracts and are less likely to invest in training and skills development.<sup>53</sup> Labour regulations also discourage entrepreneurs from investing and result in foreign investors preferring to establish enterprises in neighbouring countries.<sup>54</sup> Furthermore, employees often do not benefit from severance pay – in 2008, only 34 per cent of employees eligible for severance pay received anything and of those who did 78 per cent received less than their legal entitlement.<sup>55</sup> Women, temporary staff and those on low-wages tend to suffer most from this non-compliance. Firms in difficulties may prefer to close down entirely to avoid their severance pay obligations, since downsizing temporarily is far too costly.

### 2.1.3 Poverty, low incomes and insecurity

**Indonesia has made good progress in reducing poverty over the past decade.** Between 2007 and 2017, the official poverty rate fell from 16.6 per cent to 10.6 per cent and the number of people in poverty dropped from 37 million to 28 million. However, the pace of poverty reduction is slowing. As Figure 7 indicates, the poverty rate fell by 6 to 8 per cent annually from 2007 to 2009 but between 2013 and 2017 the average annual reduction was down to about 2 per cent.

**Figure 7: Annual rate of poverty reduction, 2007–2016**



<sup>53</sup> World World Bank (2014b).

<sup>54</sup> World Bank (2010a).

<sup>55</sup> World Bank (2010a)

**Significant geographical disparities persist between urban and rural areas and between the 34 provinces in Indonesia (see Figure 8).** In 2017, the official poverty rate varied from 7.2 per cent in urban areas to 14.5 per cent in rural areas and from 0.16 per cent in the special capital region (*Daerah Khusus Ibukota* – DKI) of Jakarta to 17.6 per cent in Papua. Nearly four in ten people (37 per cent) living in poverty reside in urban areas. Furthermore, poverty is not spatially concentrated. Differences in population size mean that provinces with relatively low poverty rates can still be home to large numbers of people living in poverty. While poverty rates tend to be higher in the eastern part of Indonesia, the number of people in poverty is larger in the western part of the country.

**Figure 8: Official poverty rates and number of people living below national poverty lines, by province**



Source: Susenas (March 2017)

### Box 5: Determining the poverty line in Indonesia

**Poverty is a multi-dimensional phenomenon that affects not only people's ability to purchase goods but also their vulnerability to various pressures that may prohibit them from enjoying life.** To measure poverty, a poverty line is set to indicate the level of income needed to meet the minimum standard of living. People who have an income less than the minimum standard of living are considered as living below the poverty line. Since determining whether someone is poor or not relates to the thresholds for the minimum standard of living, it is necessary to have a well-defined minimum standard of living.

**Indonesia's Central Bureau of Statistics (*Badan Pusat Statistik* – BPS) is the government body responsible for calculating the poverty rate annually.** BPS has a well-designed poverty measurement methodology based on the national socio-economic survey (*Survei Sosial Ekonomi Nasional* – Susenas). BPS divides the normative basket of goods into two groups: food and non-food commodities. For a food basket, there are 52 commodities used as the normative basket of goods, for both urban and rural households. For non-food commodities, BPS uses 51 commodities for urban households and 47 commodities for rural households. Using this normative basket and prevailing methodology, BPS also calculates the poverty rate for each province and rural or urban area.

**Since there is no general consensus regarding the normative basket of goods, the poverty line varies from one country to another, depending on their own concepts of a minimum standard of living.** In developed countries with advanced concepts of standards of living and welfare, the poverty line is high, as basic standards include higher consumption requirements and accessibility to many goods and services that don't factor in the lives of low-income people in less-developed countries. Those who are considered poor in upper middle-income countries such as Australia may not be considered poor in Indonesia.

**Although the poverty lines are different from one country to another, the World Bank has constructed an international poverty line that theoretically applies the same standard of living to all countries and is explicitly intended to serve as an international benchmark.**<sup>56</sup> The original poverty line was set at USD1 per day at 1985 purchasing power parity (PPP) prices and was updated to USD1.08 in 1993. Currently, the World Bank has new standards for poverty that not only include extreme poverty (living on less than USD1.9 per day) but also include those for moderate poverty (living on less than USD3.2 per day) and upper middle poverty (living on less than USD5.5 per day). Figure 9 compares the World Bank poverty lines with the poverty line constructed by BPS.

<sup>56</sup> This international poverty line is based on the work of Ravallion, Datt and van de Walle (1991).

Figure 9 : BPS and World Bank Poverty Line

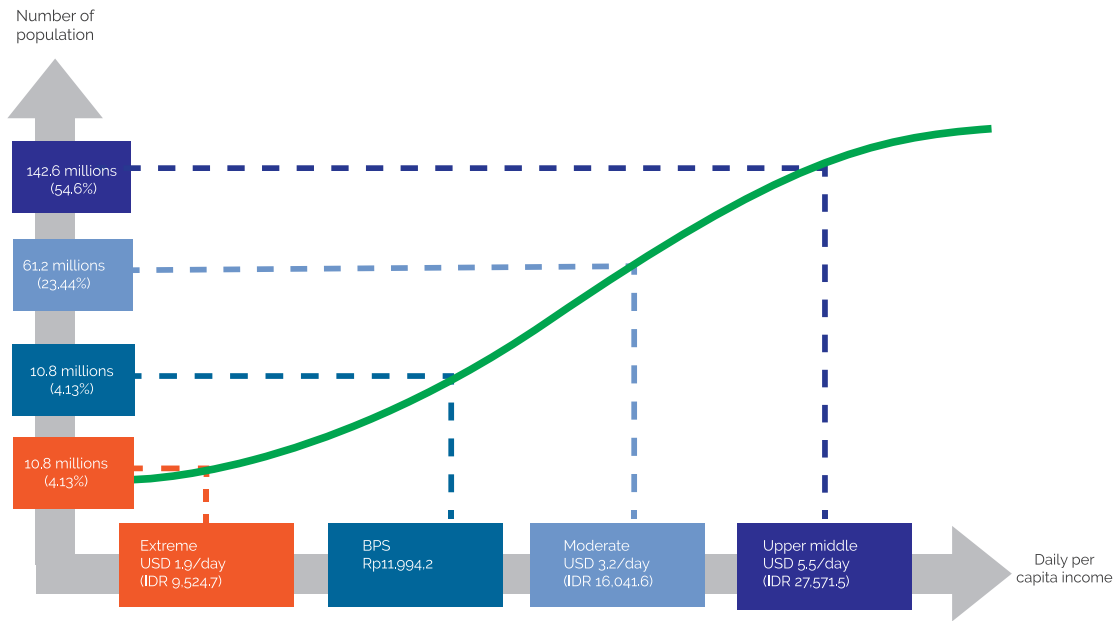
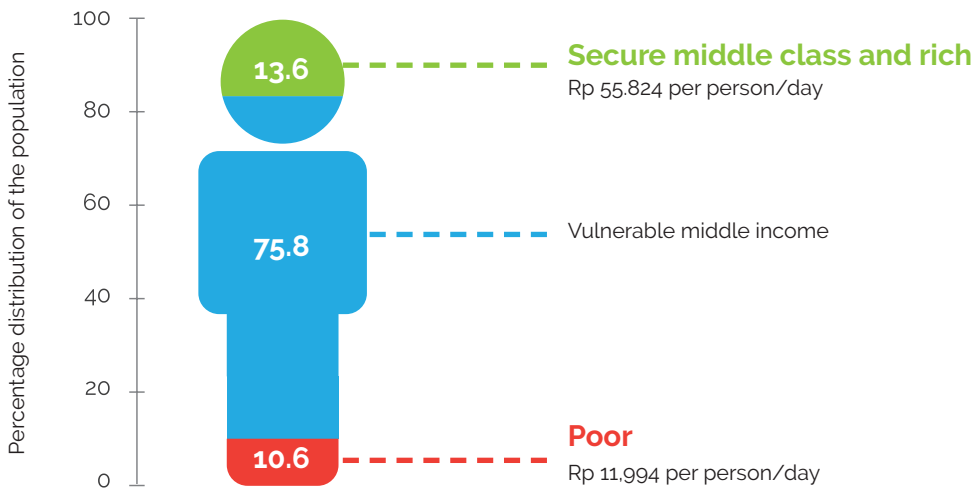


Figure 10 illustrates these different socio-economic classes and shows that in 2017, 10.6 per cent of the population were poor, earning less than IDR11,994 per person per day (or equivalent of USD2.39)<sup>57</sup> and 75.7 per cent of the population were insecure and living in households with a daily per capita consumption between IDR11,994 and IDR55,824. These households were above the poverty line but still vulnerable to falling back into poverty in the face of a shock. Only 13.6 per cent of the population was above the upper threshold of IDR55,824 and therefore part of the secure middle class and rich.

Figure 10: Income distribution, percentages, 2017<sup>58</sup>



Source: Susenas (March 2017)

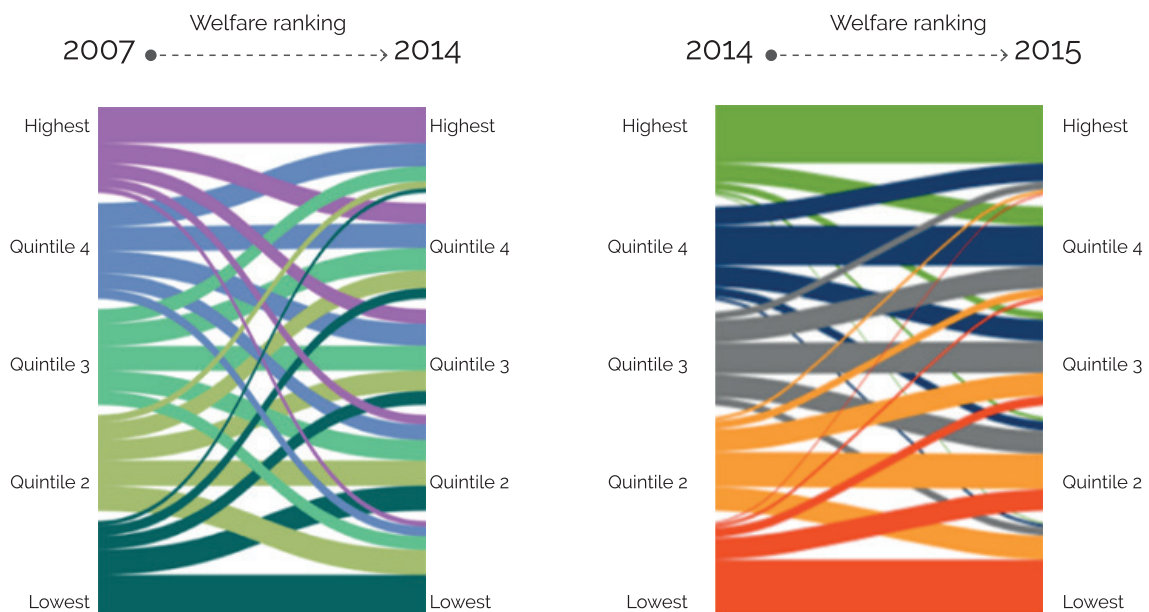
<sup>57</sup> USD1=IDR5,013 (PPP 2017); This is the average weight of poverty line used by BPS for Susenas (March 2017). The poverty line differs between the rural and urban areas based on the provinces.

<sup>58</sup> The poor are those below the official poverty line set by BPS.

**Many people move in and out of poverty, with their welfare levels moving upwards or downwards from one year to the next.** Thus, measuring who is living under a poverty line today is an imperfect guide of who will be living under the same poverty line in the future. This has important policy implications when determining the coverage of social protection programs. Longitudinal panel surveys track the same households and people over time and analysing the results of such studies gives some insight into the poverty dynamics and welfare mobility in Indonesian society.

**Household incomes are highly dynamic and insecure as people experience shocks or crises or respond to opportunities.** This is further illustrated in Figure 11 which visualises changes in households' relative position on Indonesia's welfare ladder, from the lowest quintile –representing the poorest 20 per cent of households – to the highest quintile – representing the 20 per cent most affluent households. The left-hand diagram in Figure 11 shows changes in the ranking of households between 2007 and 2014, based on the latest two rounds of the Indonesia Family Life Survey (IFLS). Over this seven-year period, around one third of households improved their relative position and climbed to a higher consumption quintile. Around a third of households experienced a reduction in their living standards and slid back to a lower economic position while just over a third of households experienced no mobility, staying in the same economic class. A number of households fell from the top to the bottom quintile in a relatively short period of time. As shown by the right-hand diagram in Figure 11, a similar pattern emerges over just one year, from 2014 to 2015, indicating the high volatility of incomes and the high levels of income insecurity across the population.

**Figure 11: Quintile transition matrix of households, 2007– 2014 and 2014–2015**

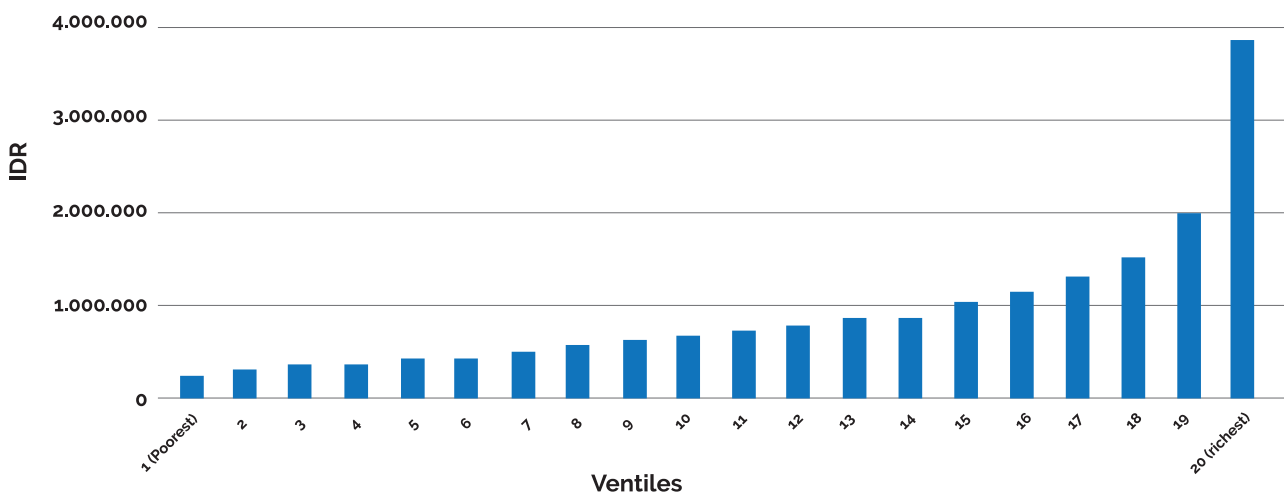


Source: IFLS (2007–2014) and Susenas (2014–2015)

**Figure 12 shows the consumption distribution across all households from poorest to richest, presenting the average per capita consumption in each 'ventile' of the population – groups of 5 per cent of the population, ranked from poorest to wealthiest.**

Average levels of consumption ranged from IDR236,350 per capita per month among the poorest 5 per cent to IDR3.9 million per capita per month among the most affluent 5 per cent. However, the curve is relatively flat across most of the population, indicating similar levels of consumption. This implies that small reductions in a household's consumption could result in a significant fall in ranking in the distribution. The similarity and volatility of consumption means that targeting social protection towards a group called 'the poor' is a difficult task.

**Figure 12: Average monthly per capita expenditure by ventile (groups of 5 per cent of the population), 2017**



Source: Susenas (2017)

**In summary, a significant portion of the population experience downward mobility in the long run or short spells of poverty in the short run which highlights an important issue for policy consideration.** Even seemingly better-off people are exposed to shocks, such as illness, disability, natural disasters, the loss of an income earner or the birth of a child. Since most people's incomes are relatively low, coping with shocks can be a challenge and can erode hard-earned gains. This not only impacts on households living in poverty but also on emerging middle-income households that have benefitted from Indonesia's economic growth to a certain extent. These households have moderate assets, but their incomes are still low and we refer to people in this category as the 'missing middle'.

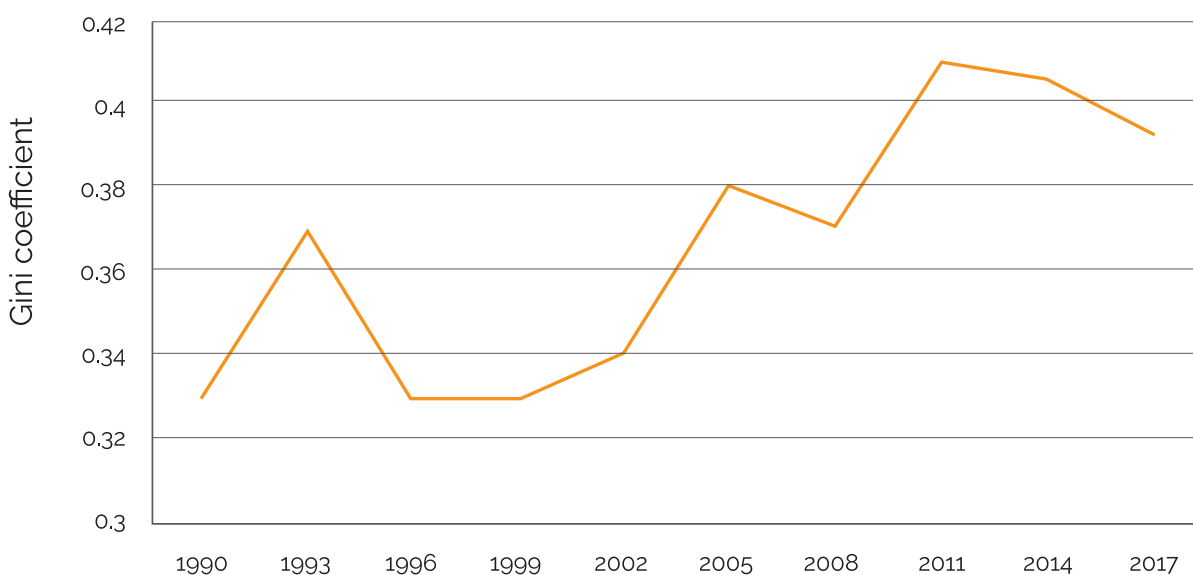
They also lack the resources required for further upward mobility, such as large asset bases, decent levels of education or productive skills to access formal sector work and are therefore always at risk of experiencing a drop in their living standards if they are hit by a crisis.<sup>59</sup>

**The low incomes and insecurity experienced by most of the population highlights some key questions for social protection policy.** A policy of targeting only those living in poverty misses out a significant group of middle-income households that would benefit from the higher incomes and income security that come from access to social protection. To ensure long-term economic growth we need to protect the assets and productivity of these households so that they can bounce back quickly if they suffer any shocks.

#### 2.1.4 Rising inequality

**A further challenge Indonesia faces is the rise in inequality.** As Figure 13 indicates, the Gini coefficient grew from 0.33 in 1999 to 0.39 in 2017. There are multiple reasons for the growing inequality, including: the commodity boom of the past decade that benefitted wealthy families in rural areas; the rigidity in the labour market (discussed in 2.1); the high domestic price of rice; low taxation linked to a low level of government social spending including on social protection; and insufficient redistribution.<sup>60</sup>

**Figure 13: Gini coefficient in Indonesia, 1990–2017**



Note: A Gini coefficient of 0 means that everyone is equal.

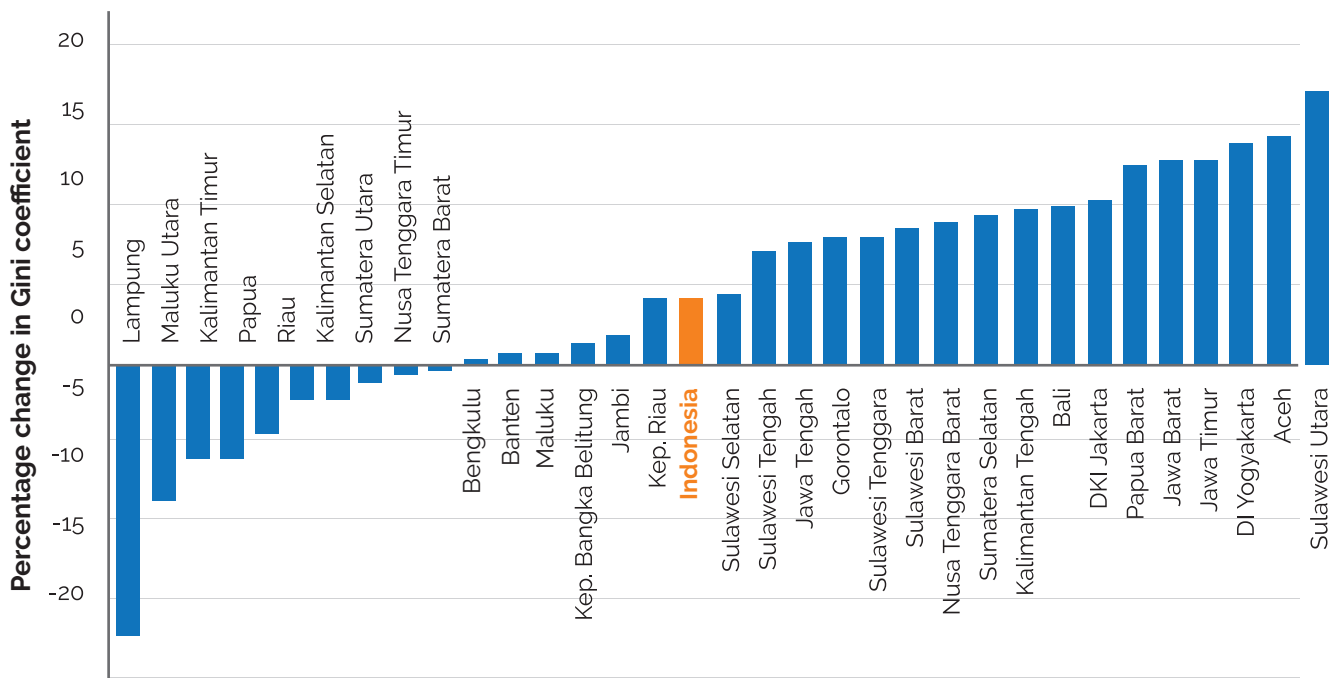
Source: BPS (2017)

<sup>59</sup> World Bank (2018)

<sup>60</sup> Yusuf *et al.* (2013); Coxhead (2014)

**Patterns of inequality vary considerably across Indonesia's provinces.** Several provinces have reduced their levels of inequality since 2007. In Lampung, for instance, the Gini coefficient decreased by 17 per cent between 2007 and 2017. In North Sulawesi, on the other hand, the Gini coefficient increased by 17 per cent during the same period. Further research is needed to identify the distinct drivers of inequality within the different provinces.

**Figure 14: Percentage change in Gini coefficient between 2007 and 2017, by province**



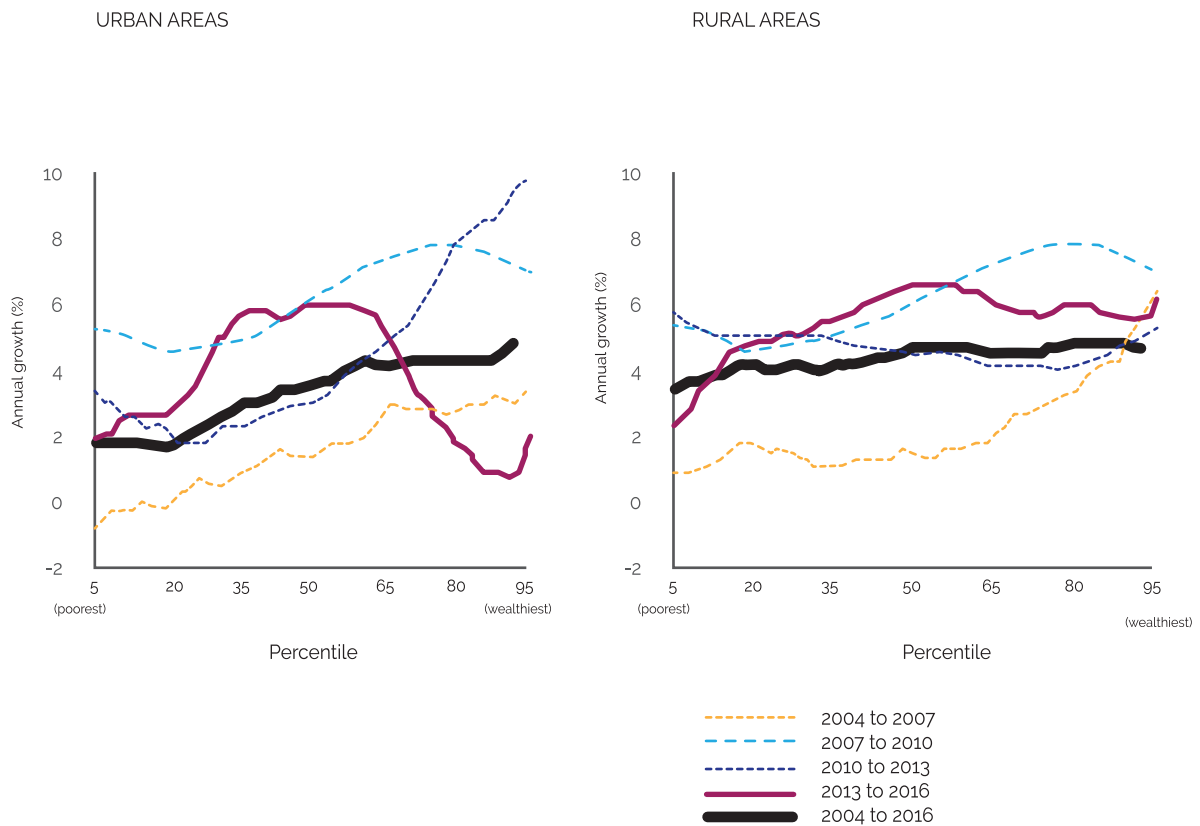
Source: BPS (2017)

**The benefits of economic growth have been unevenly shared across the population, with the richest members of society benefitting most, resulting in growing inequality.**

Figure 15 shows the growth incidence curves for the period 2004 to 2016, visualising the annualised growth rate of consumption between two points in time at each percentile of the consumption distribution in urban and rural areas. While consumption has increased across the board, the curves show that growth has not been 'pro-poor' over the last decade, with consumption levels growing faster among the more affluent members of society. Looking at shorter, rolling three-year windows, differential patterns emerge. In urban areas, increases in per capita consumption mainly benefit the more affluent up to 2013. In rural areas, those at the bottom benefitted most during the period 2010–2013. While those in the middle of the distribution experienced the highest relative increase in consumption in both urban and rural areas in the period 2013–2016.



**Figure 15: Annualised growth rate of per capita consumption for every percentile of the consumption distribution, 2004–2016** <sup>61</sup>



Source: Susenas (2004–2016) and World Bank (2017)

**High levels of inequality bring a range of negative consequences. Grigoli and Robles of the IMF estimate that when the net Gini coefficient is over 0.27, inequality starts to harm growth, a phenomenon currently affecting Indonesia.**<sup>62</sup> It also affects social cohesion and, potentially, political stability, particularly if most of the people feel they are being left behind. Currently, 89 per cent of the population in Indonesia believe that inequality is a major issue that needs to be addressed.<sup>63</sup> This could be because Indonesia's economic growth has visibly benefitted those at the top of the economic spectrum, leaving behind most of the population and particularly the poorest who fear that their chances of catching up are becoming slimmer. Furthermore, most people now have greater aspirations and they want more than to just meet their basic needs.<sup>64</sup>

<sup>61</sup> The graph uses moving averages across five percentiles to smoothen the trend.

<sup>62</sup> Grigoli and Robles (2017); see also World Bank (2014c), Yusuf *et al.* (2013) and Ostry *et al.* (2014)

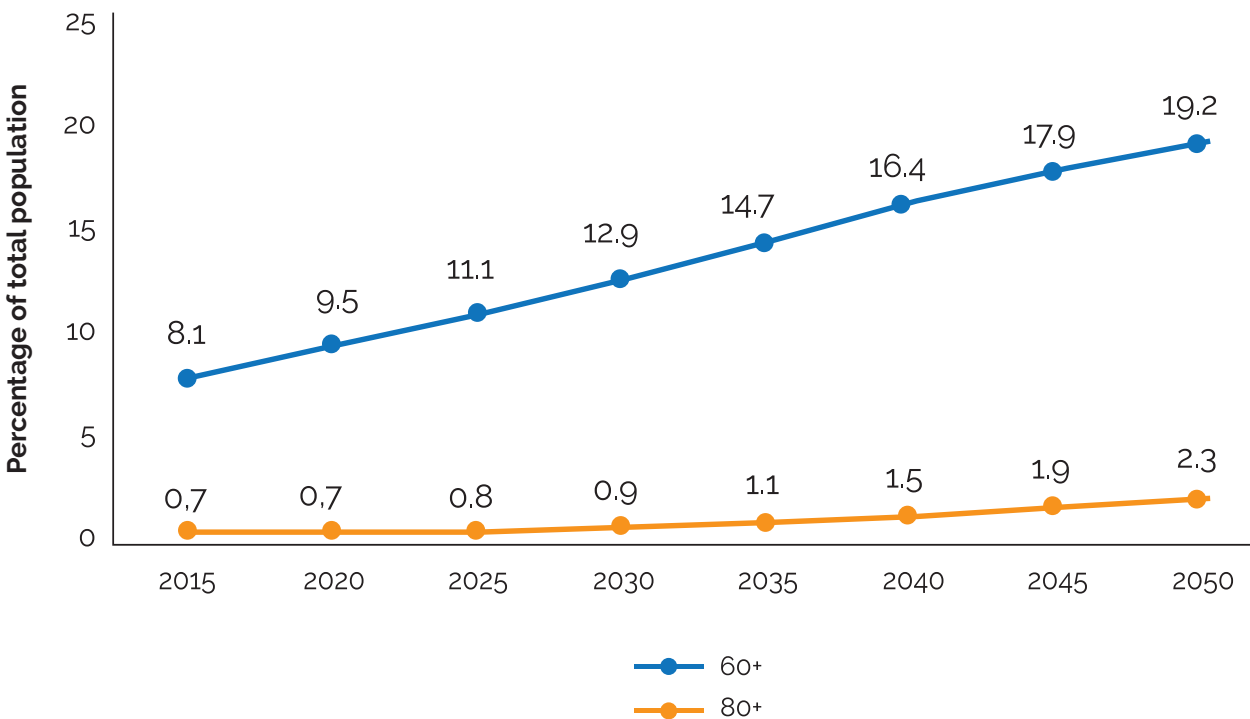
<sup>63</sup> World Bank (2018)

<sup>64</sup> *ibid*

## 2.2 Demographic change in Indonesia

Indonesia is undergoing demographic change. The age distribution is beginning to shift and Indonesia is becoming an ageing society. By 2020, around 9.5 per cent of the population will be aged 60 and above, rising to 12.9 per cent by 2030 (see Figure 16). The proportion of people over 60 already varies significantly across provinces with the highest proportion in DI Yogyakarta at 13.5 per cent and the lowest in West Papua at 2.7 per cent.

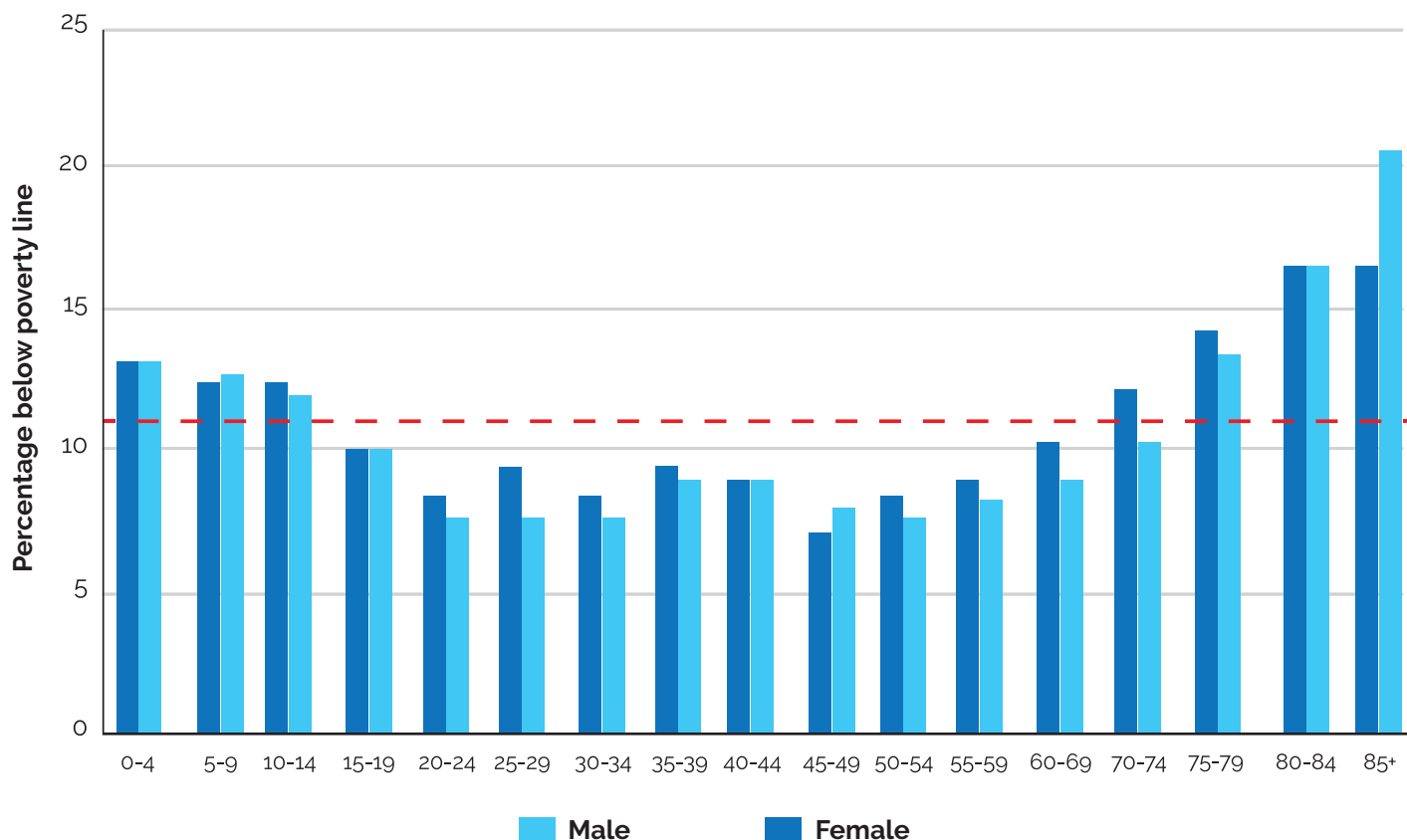
Figure 16: Projected growth in the older population in Indonesia, 2015–2050



Source: UN DESA (2017)

**Poverty has a strong age dimension in Indonesia.** The highest rates of poverty – defined as living below IDR11,994 per day – are found among children, adults raising children and people over 60, with particularly high rates among people over 80 (see Figure 17). Box 6 shows that when different assumptions are used to estimate poverty, the level of poverty among older people is even higher.

**Figure 17: Percentage of the population below the national poverty line, by age groups, Indonesia, 2017**



Note: - - - - Official BPS poverty line = IDR11,994 per person per day

Source: Susenas (March 2017)

**Given the high rates of poverty among the elderly, the growing elderly population will pose a challenge to future efforts to reduce poverty and tackle inequality unless effective social protection mechanisms are put in place for the elderly.** With economic growth, urbanisation and changes in lifestyle, non-communicable diseases are becoming more prevalent in Indonesia and result in greater health costs, especially among those aged over 60 years.<sup>65</sup> People are living longer and this places a greater economic burden on their adult children who will either withdraw their support for their elderly parents or have less resources to invest in their own children.<sup>66</sup> Furthermore, the elderly will become a significant proportion of the voting population which means that policymakers will increasingly need to take their needs into account. By 2040, almost 40 per cent of the voting population will be aged 50 years and above.<sup>67</sup>

<sup>65</sup> Bloom *et al.* (2015)

<sup>66</sup> Dufló, E. (2000); Barrientos A. dan Lloyd-Sherlock, P. (2011)

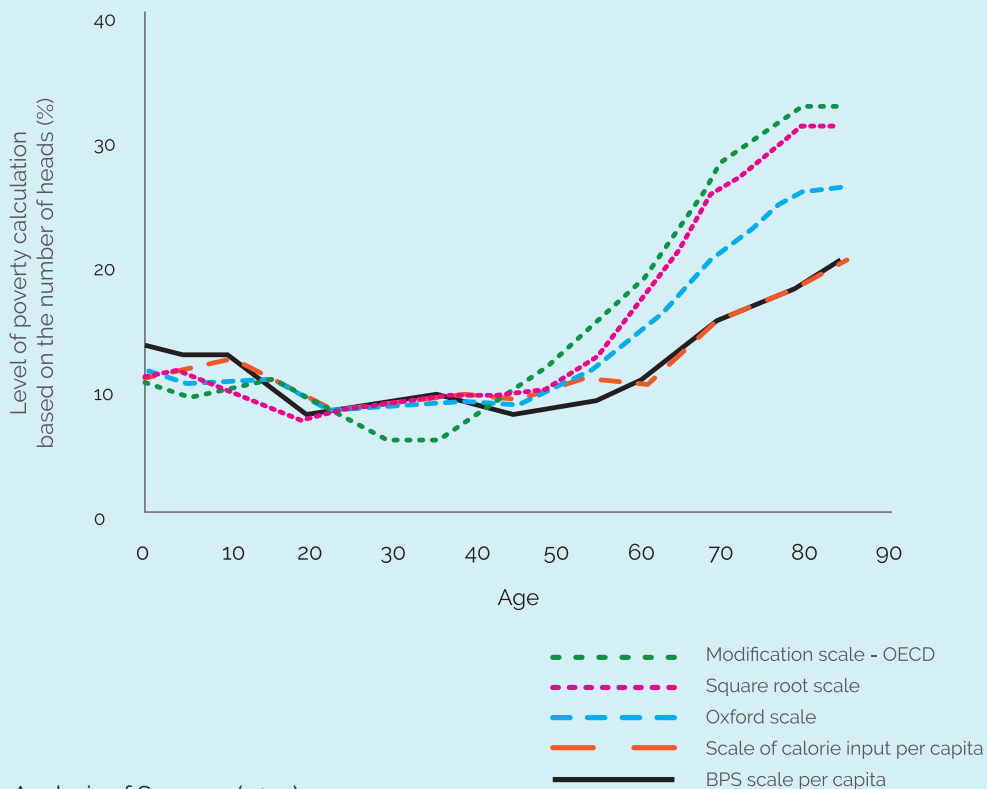
<sup>67</sup> Calculation by the authors, based on UN DESA (2017)

### Box 6: Relative poverty across age groups, using alternative assumptions

The welfare measure underpinning official poverty statistics in Indonesia is per capita household expenditure. Implicitly, this approach assumes that all household resources are equally distributed among its members and that there are no economies of scale. Internationally, different countries use a wide range of equivalence scales<sup>66</sup> and there is no single universally-accepted method. Yet estimates of both the size and composition of the population in poverty are significantly influenced by the choice of equivalence scales, as illustrated in Figure 18.

For example, the modified Organisation for Economic Co-operation and Development (OECD) scale in poverty calculation assigns values of 1 to the household head, 0.5 to each additional adult member and 0.3 to each child. Using this scale would change the rates of poverty across different age groups significantly, especially among older people. In selecting a particular equivalence scale, it is necessary to be aware of its potential effect on inequality and poverty levels. Also, this indicates that poverty rates are relatively arbitrary and can be changed by using different – and equally valid – assumptions.

**Figure 18: Poverty rates by age group using different measures of equivalence scales**

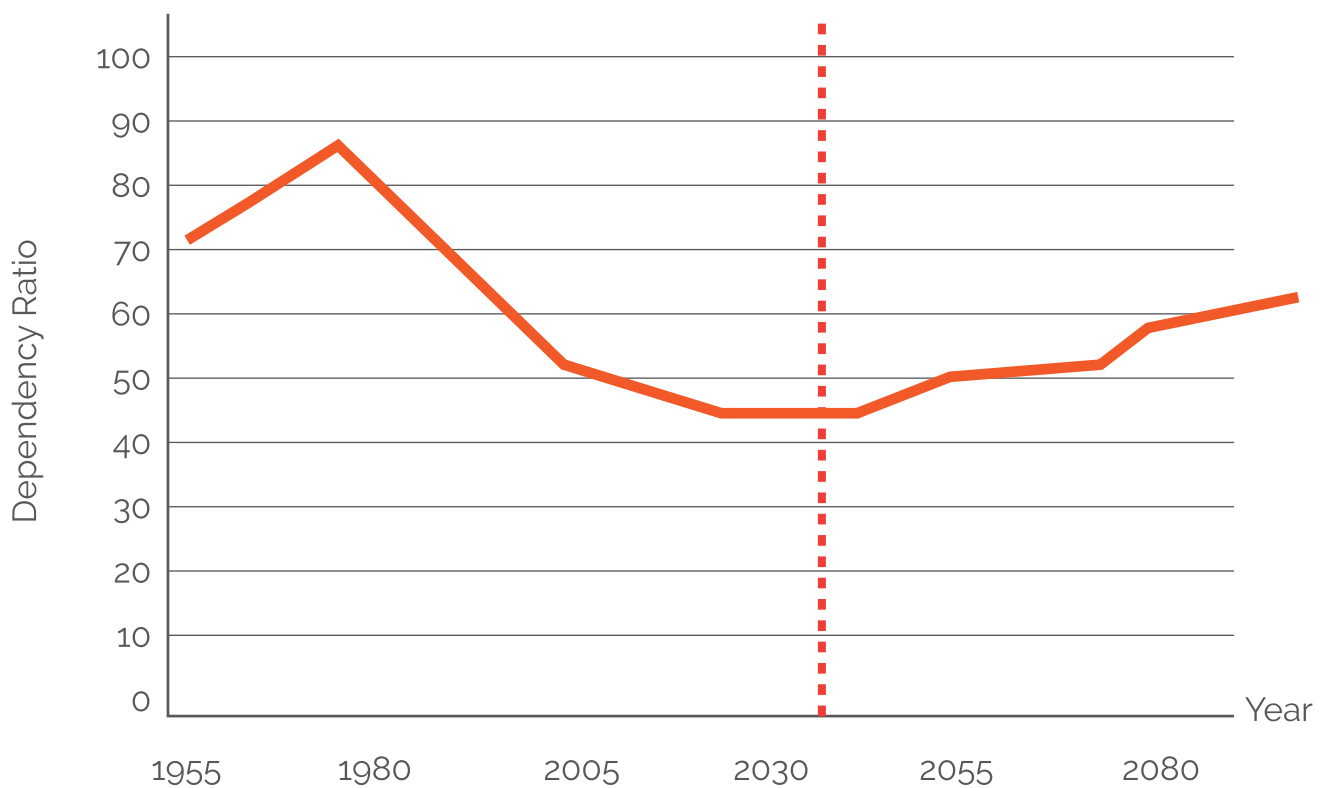


Source: Analysis of Susenas (2017)

<sup>66</sup> An equivalence scale is the ratio of the income needed by a household to achieve a certain standard of living to the amount of income needed by a 'reference' household to achieve the same standard of living (Anyaejbu, 2010).

Indonesia has the opportunity to benefit from a demographic dividend with 50 per cent of the population currently under 30 years of age.<sup>69</sup> However, this dividend will begin to end in 2035 as the population ages and dependency ratios increase (see Figure 19).<sup>70</sup> The dependency ratio represents the number of dependents per 100 people of working age (15–64 years). Therefore, Indonesia needs to invest sufficiently in strengthening the capacity of the labour force, particularly its children – the future labour force – so that this opportunity is not squandered.

**Figure 19: Total dependency ratios, Indonesia, 1955–2095**



Note: The red line represents when the dependency ratio for Indonesia starts to increase in 2035  
 Source: UN DESA (2017)

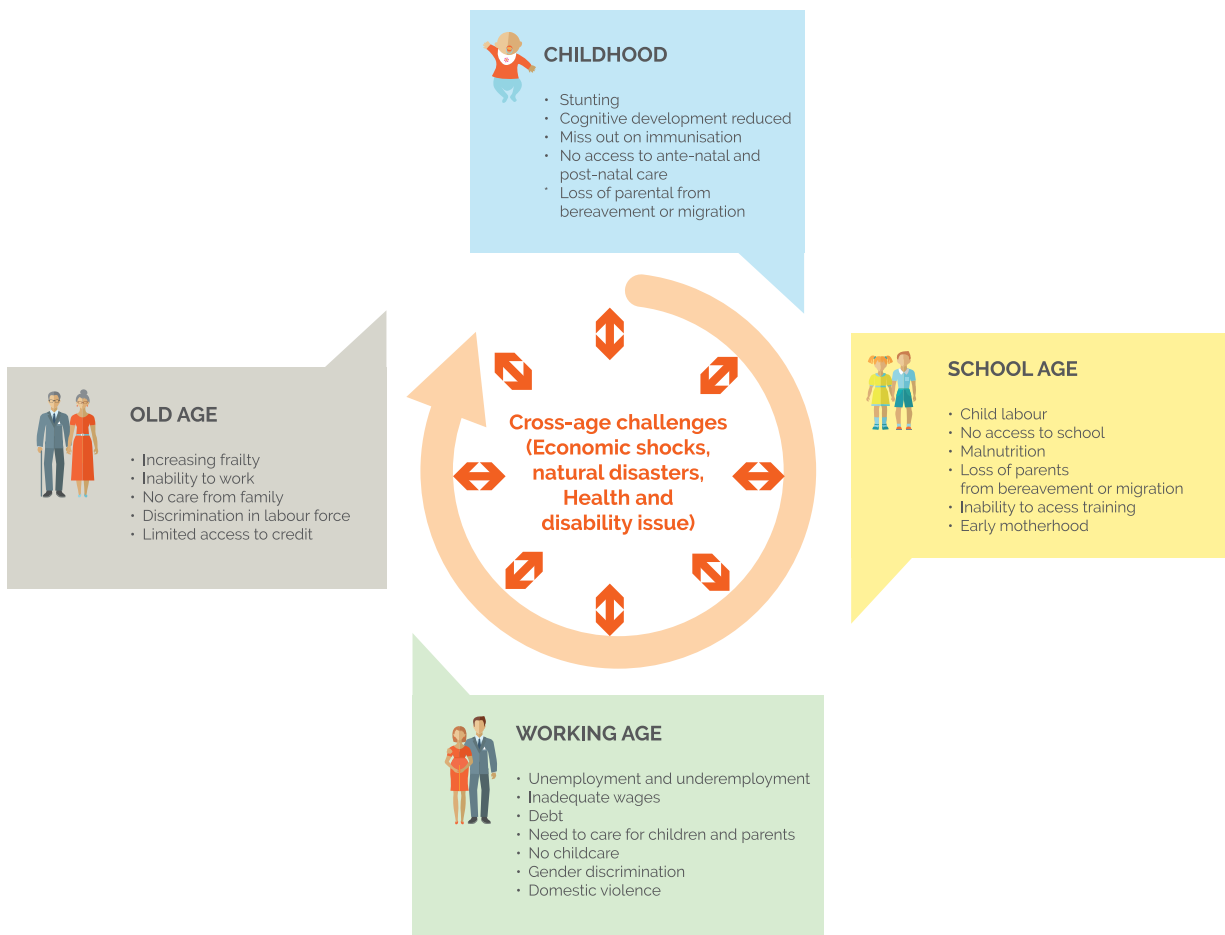
<sup>69</sup> Susenas (2017)

<sup>70</sup> See: World Bank (2014b) and World Population Prospects at <http://esa.un.org/unpd/wpp/unpp/p2kodata.asp>

## 2.3 Challenges across the life cycle

Indonesians face a wide range of risks throughout their lives, beginning in the womb and continuing through to their final days. These risks are exacerbated by widespread low incomes that mean people are less able to respond effectively to a crisis. This section outlines several risks that can be addressed by investing in social protection. If these issues are tackled effectively, poverty levels would be reduced significantly, and the wellbeing of all citizens would be enhanced. Figure 20 summarises many of the key risks and challenges that people could experience at each stage in their lives. The sections that follow examine each stage of the life cycle in more detail.

**Figure 20: Risks and challenges that can affect people across the life cycle**



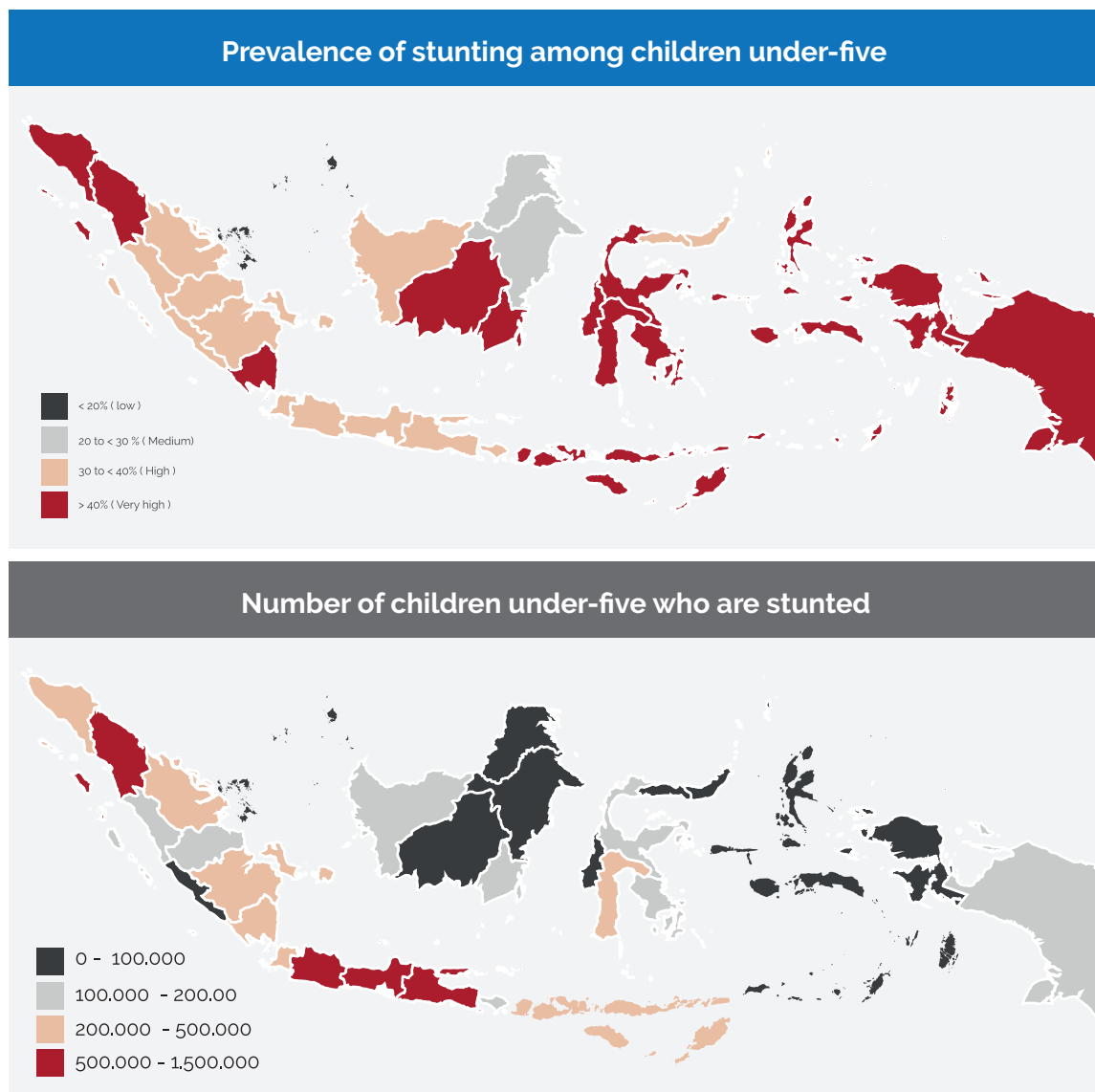
Source: TNP2K-Mahkota (2017)



### 2.3.1 Early childhood (0–6 years)

Risks can begin in the womb, particularly if pregnant women do not have an adequate diet as this can have an impact on their babies' health. Poor nutrition is a genuine risk among young children in Indonesia and 37 per cent of children under five experience stunting (low height for their age).<sup>71</sup> Figure 21 shows the distribution of stunting across the provinces. As with poverty, the highest numbers of children experiencing stunting are not necessarily in the provinces with the highest prevalence of stunted children.

**Figure 21:** Proportion and number of children under five who are stunted in each province

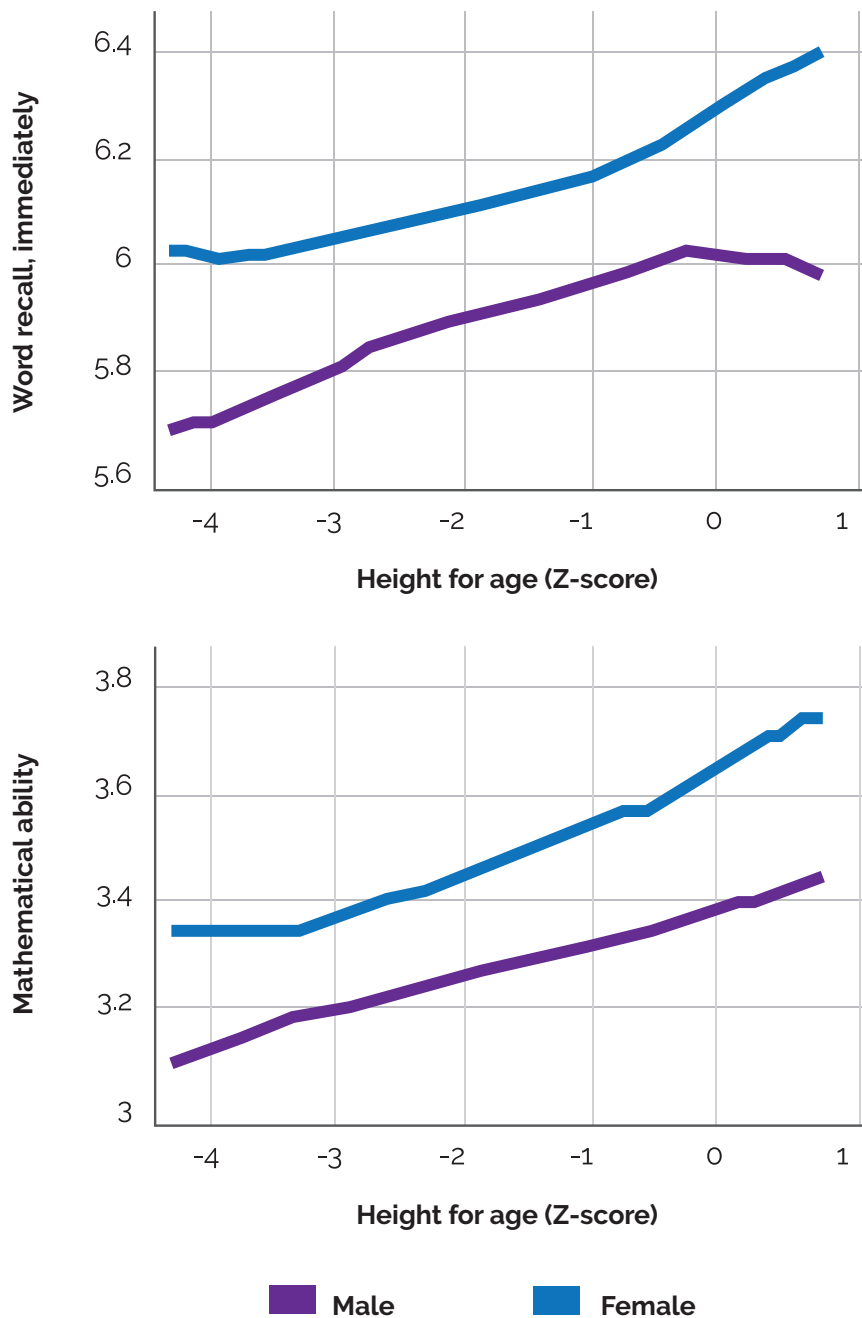


Source: Riskesdas (2013)

<sup>71</sup> United Nations (2016)

**Stunting is likely to affect children's cognitive development and result in significant setbacks that are difficult to recover from as they feed through to lower performance at school.** Data from a longitudinal study between 1993 and 2014 shows that people who were poorly nourished and are stunted tend to achieve lower scores in cognitive tests when they are adults, compared to their peers (see Figure 22).

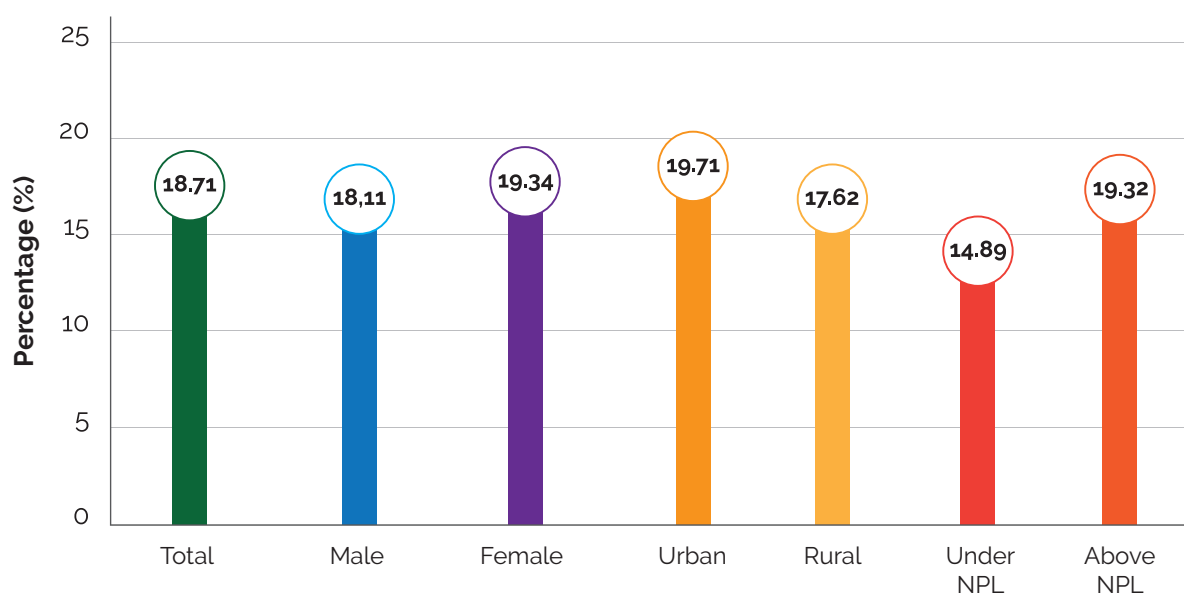
**Figure 22: Average performance on cognitive tests of individuals in 2014, according to their height-based anthropometric Z-scores in 1993**



Source: IFLS (1993 and 2014)

**Most children in Indonesia have no access to early childhood education before they start primary school.** Less than 25 per cent of children attend early childhood development centres and children from poor or insecure families have the lowest attendance rates, particularly in rural areas (Figure 23). Part of the reason for non-enrolment is that the state does not provide enough such centres, especially in rural areas.<sup>72</sup> However, low incomes are likely to be another explanatory factor since access rates are lower for those under the national poverty line.

**Figure 23: Percentage of children under five who attended some form of early childhood education, 2017**



NPL = National Poverty Line  
Source: Susenas (March 2017)

**Overall, children from the poorest households are nearly three times as likely to die before the age of five as children from the most affluent households.**<sup>73</sup> This can be partly attributed to the uneven performance of the health system. High and sustainable coverage of key interventions, such as immunisation against vaccine-preventable diseases and birth registration, can only be achieved through the government's continued efforts.

**While nearly nine out of ten births are now attended by skilled health personnel, only half of children aged 12–23 months received all basic vaccinations in 2017.**<sup>74</sup> Indonesia has progressed in providing more equitable access to services but significant gaps remain,

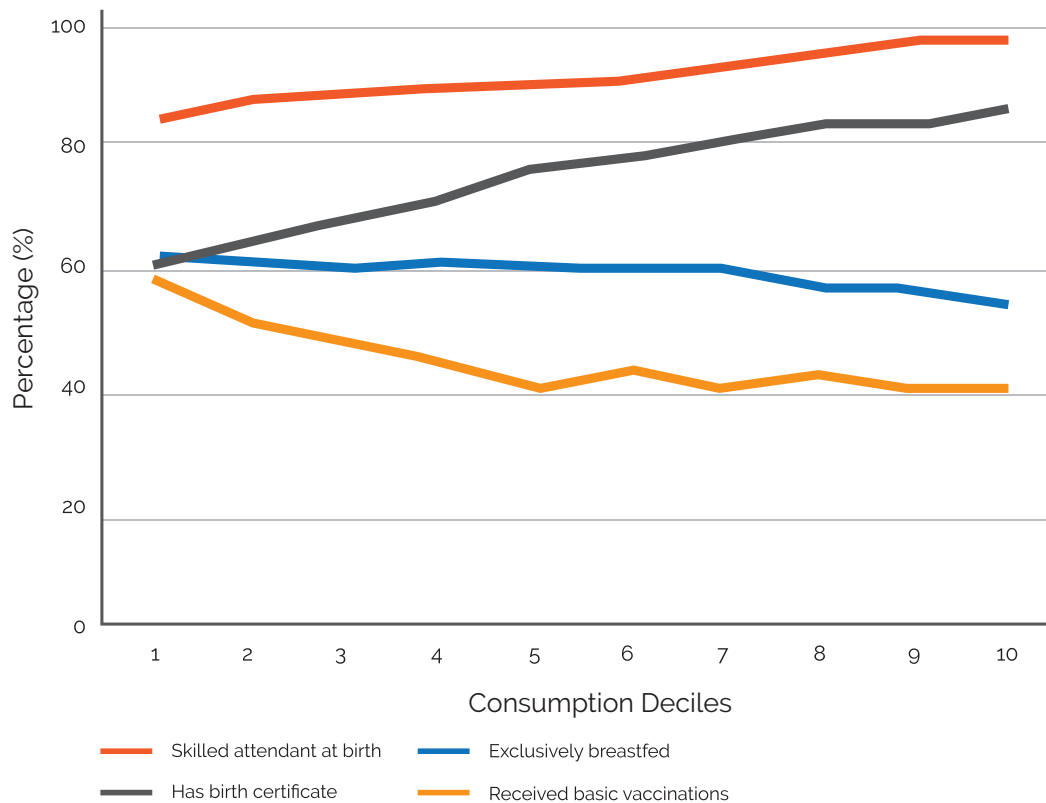
<sup>72</sup> Education statistics MoEC (2017)

<sup>73</sup> Indonesian Demographic and Health Survey (IDHS 2012); Data refer to the 10 years preceding the survey (approximately 2003–2012)

<sup>74</sup> Susenas (2017)

as illustrated in Figure 24. Birth registration rates vary widely, largely due to low incomes and the challenges of accessing birth registration services.<sup>75</sup>

**Figure 24: Wealth disparities in selected indicators among young children**



Source: Susenas (2017)

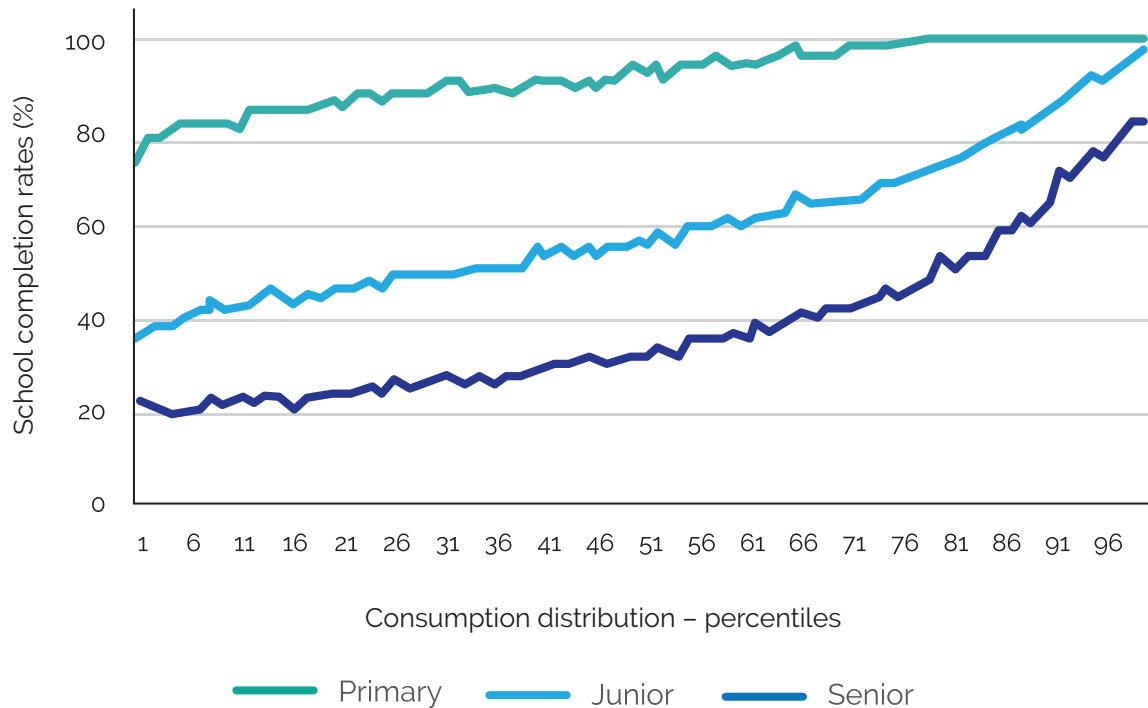
### 2.3.2 School-age children (7–18 years)

**Children from poor and vulnerable families face the major risk of not being able to complete school.** In Indonesia, primary school attendance rates are relatively high so it is mainly children of secondary school age who face this challenge.<sup>76</sup> While there are many reasons for children not attending and completing secondary school, family income is a key issue (see Figure 25). School completion rates are significantly lower among families from the lowest consumption levels. In addition, many children from families in the middle of the consumption distribution also struggle to complete secondary school.

<sup>75</sup> Duff, P, Kusumaningrum, S, Stark L (2016).

<sup>76</sup> Susenas (2017).

**Figure 25: Primary, junior secondary and senior secondary school completion rates across the consumption distribution, 2017**



Source: Susenas (March 2017)

**Children from low-income families are also more likely to engage in child labour.** Cash-strapped families are more inclined to withdraw their children from school so that they can contribute to household income. According to the last national labour force survey in 2009, 7 per cent of children aged 5–17 years were engaged in child labour.<sup>77</sup> Child labour is more prevalent in rural areas (8.2 per cent) than in urban areas (4.5 per cent) and increases as children grow older.

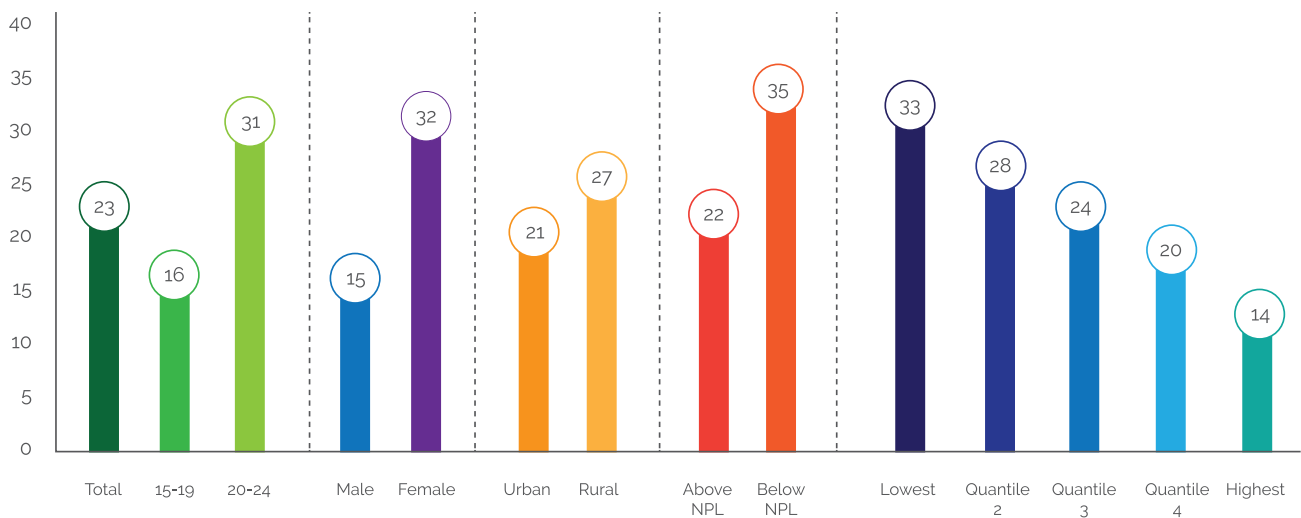
### 2.3.3 Working age (19–59 years)

**Working age people, especially the youth, face a wide range of challenges, particularly if they do not have an adequate level of education which severely hinders their chances of obtaining decent work.** Youth unemployment is a major concern and around a quarter of Indonesia's youth are not in education, employment or training (Figure 26). Opportunities for vocational training are limited in Indonesia leaving many young people without the skills they need to obtain a decent job.

<sup>77</sup>Data based on the 2009 Indonesia Child Labour Survey (ICLS)

**Gender disparities are significant and the proportion of young women who are not in employment, education or training (30 per cent) is twice that of their male counterparts (15 per cent).** Disparities based on wealth are equally pronounced with rates of extreme poverty 18 per cent higher among women aged 20–34 years than among men of the same age. This could be attributed to child care responsibilities limiting women's engagement in the labour market.<sup>78</sup>

**Figure 26: Percentage of young people (15–24 years) who were neither at work nor at school in the week before the survey**



NPL = national poverty line  
Source: Susenas (March 2017)

**Additionally, among women aged 15–19 years, 7 per cent have given birth while over 49 per cent of women aged 20–24 years already have a child.**<sup>79</sup> This places a significant economic burden on young women which is exacerbated by around 31 per cent of women in the 20–24 age group not being in work or in school.<sup>80</sup>

Furthermore, labour productivity is low in Indonesia and this is reflected in the low education levels of most working-age people. Agriculture continues to be the dominant sector of employment for about a third of the working-age population. More than 15 per cent of working-age adults who work mainly in the agricultural sector live below the national poverty line. This is three times higher than among those that have access to other forms of paid employment.<sup>81</sup> Informal and unpaid work are key drivers of insecurity for working age people.

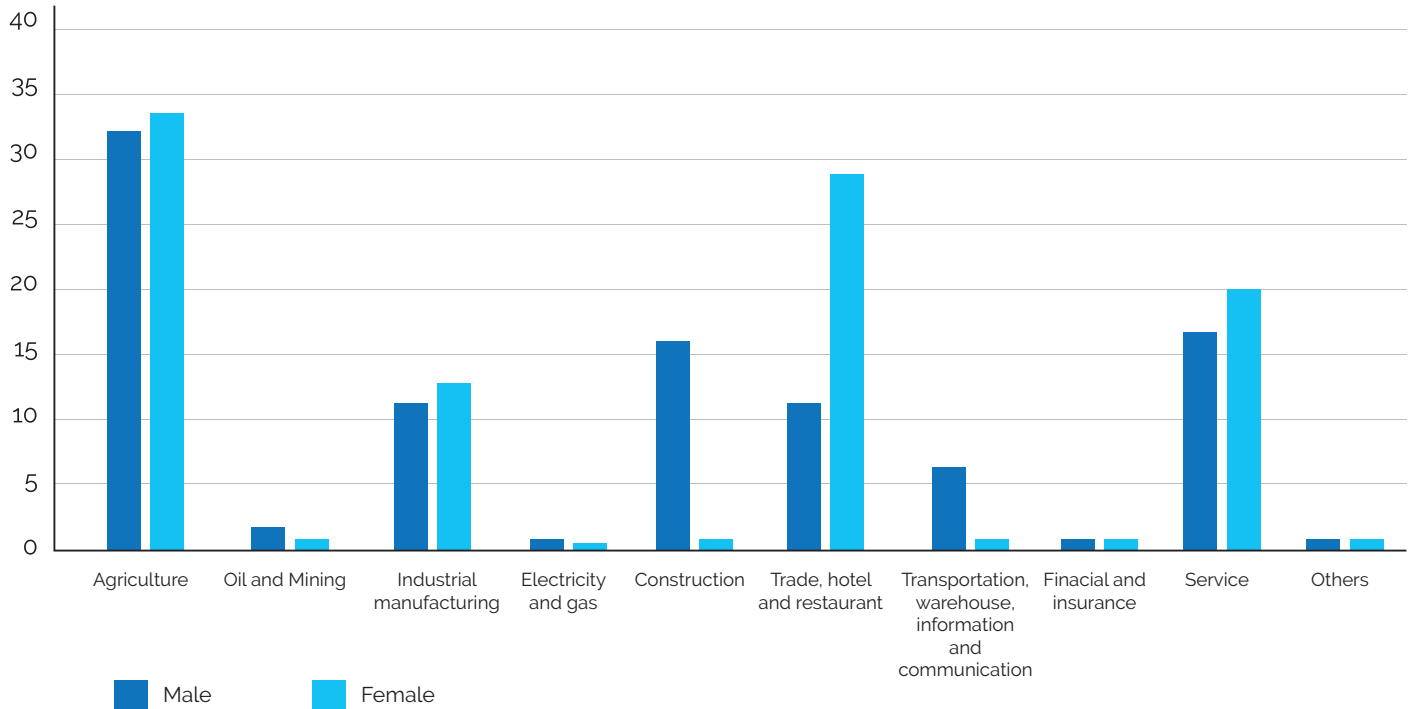
<sup>78</sup> See, for example, Schaner and Das (2016)

<sup>79</sup> Based on IDHS (2012)

<sup>80</sup> Based on Susenas (March 2017)

<sup>81</sup> ILO (2016)



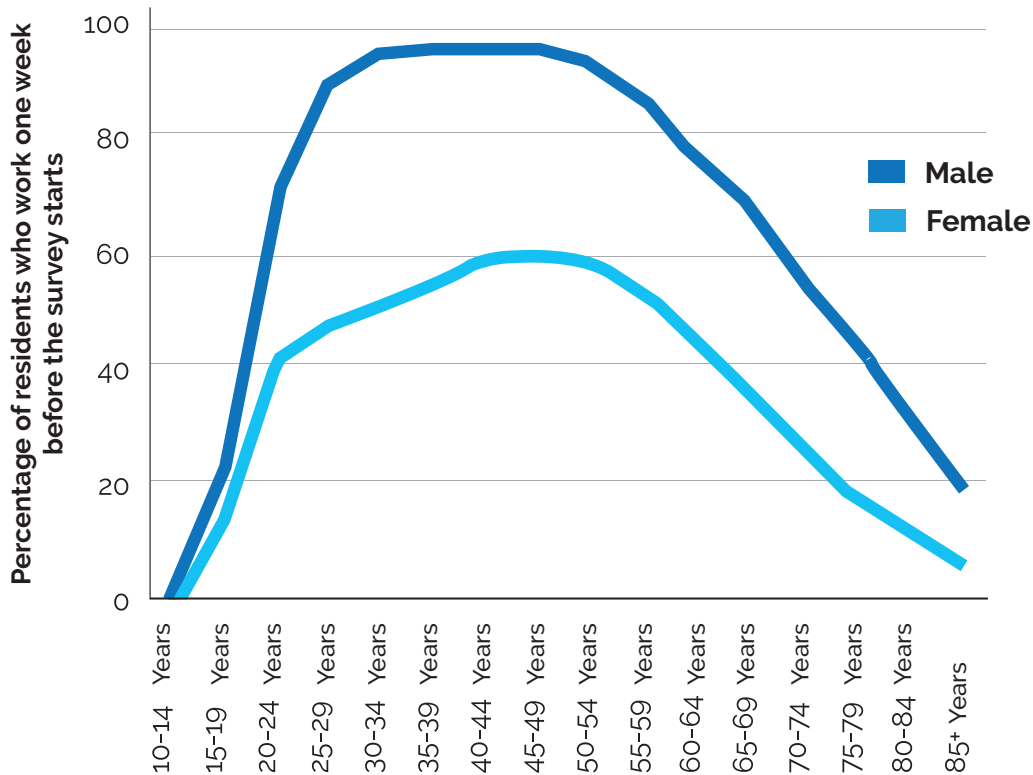
**Figure 27: Percentage of working-age people (over 15 years) by sector of work and gender**

Source: Susenas (2016)

**Women are less likely to be in the labour force than men and their participation is lower than in Indonesia's regional neighbours such as Thailand, Cambodia, Vietnam and Myanmar.<sup>82</sup> Furthermore, it is declining, having fallen from 53.4 per cent in 2000 to 50 per cent in 2011.<sup>83</sup> This could be due to many women leaving the workforce after they give birth and taking some years to return. The absence of accessible child-care services for young mothers wanting to return to work is probably one reason for this, particularly in urban areas. Also, child care for working mothers is generally provided by family members but many women find that their elderly mothers struggle to provide this support in the absence of pensions.<sup>84</sup> Furthermore, in many families, girls are likely to be withdrawn from secondary school to care for their younger siblings, thereby influencing their own future prospects in the job market.<sup>85</sup>**

<sup>82</sup> ILO 2016<sup>83</sup> World Bank (2014c)<sup>84</sup> ILO (2016)<sup>85</sup> ILO (2016); ILO (2017)

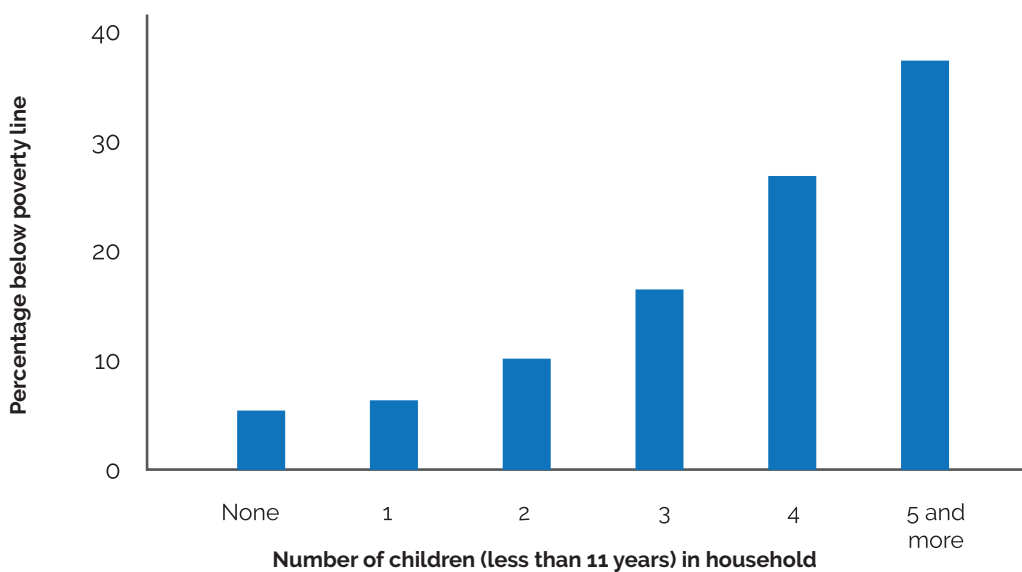
**Figure 28:** Percentage of people working in the week before the survey



Source: Susenas (March 2017)

**While a source of joy, having children also increases a family's expenses.** Family costs rise while the caregivers are likely to leave the labour force or reduce their working hours.<sup>86</sup> As Figure 29 shows, larger families are associated with higher poverty rates.

**Figure 29:** Poverty rates linked to number of children in the household



Official poverty line = IDR 11,994 per person per day

Source: Susenas (March 2017)

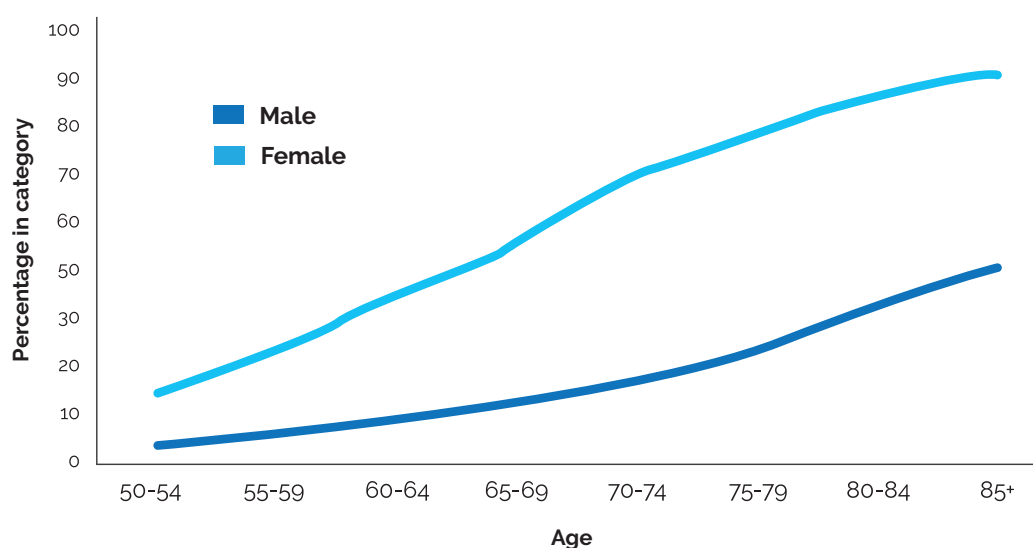
<sup>86</sup> ILO (2016)

### 2.3.4 Elderly people (60 plus years)

People face some of their greatest challenges during old age as their capacity to work diminishes due to increasing disability.<sup>87</sup> The highest rates of poverty in Indonesia are among older people and only around one in eight older people receive pensions. These are mainly former civil servants and military personnel.<sup>88</sup> The low pension coverage of social security schemes for the elderly could potentially explain why around 50 per cent of people aged over 60 years continue to work. Most older people in work do low-paid and part-time jobs – often self-employed – in areas such as petty market trading, construction, crafts, domestic service and agriculture.<sup>89</sup>

Older women tend to be poorer than older men – with poverty rates 14 per cent higher among those aged 60–80. However, in the over 85 age group, the poverty rate among men is 24 per cent higher than among women. Women comprise just over half of the elderly population, making up 53 per cent of people aged over 60 years and 58 per cent of people aged over 75 years. There are also significant differences between men and women in old age. While 82 per cent of older men are married, 60 per cent of older women are single and 56 per cent of older women are widowed compared to only 16 per cent of older men (see Figure 30). This could be attributed to men being more likely to remarry when their spouses die and as a result being more likely to have younger partners. Marriage patterns probably explain why 15.5 per cent of older women live on their own compared to only 4.8 per cent of men, with the proportion increasing with age.

**Figure 30: Percentage of older people who are widowed, by gender and age groups**



Source: Susenas (March 2017)

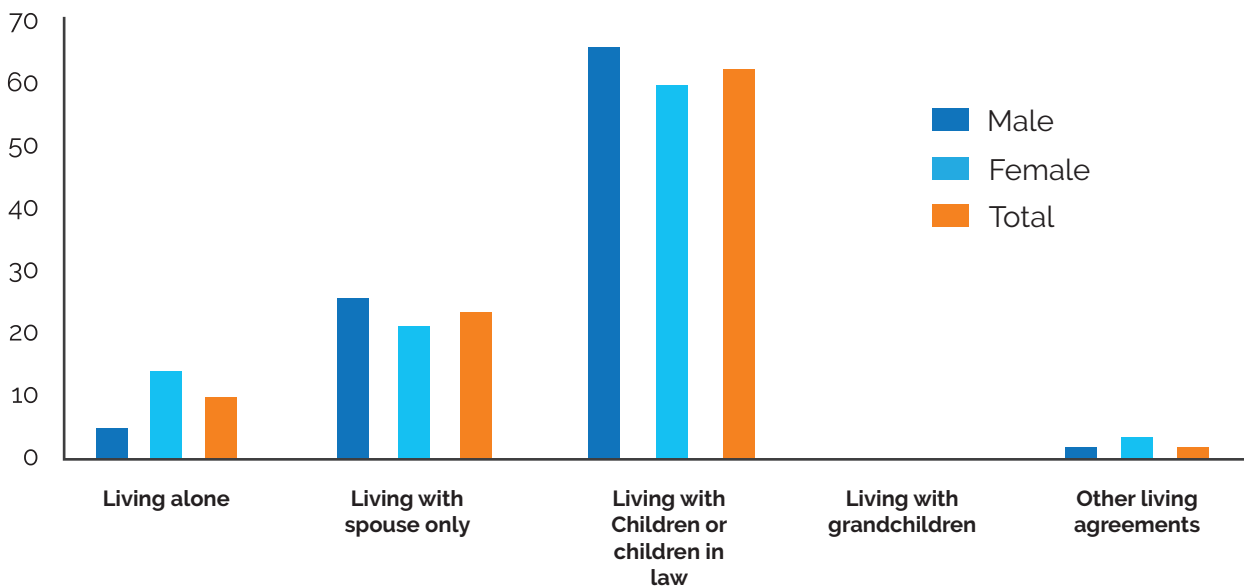
<sup>87</sup> WHO (2012); OECD (2015); Barrientos and Sherlock (2012); European Commission (2015)

<sup>88</sup> Based on Susenas (March 2017)

<sup>89</sup> See HelpAge International and Demographic Institute (2012)

**Most older people live with working-age adults under 60 years, often their children (Figure 31).** According to IFLS (2014), 70 per cent of the elderly said they expected to need financial help from their children in the next five years while 65 per cent said they already relied on their children financially. Older women are the main recipients of such financial assistance with 76 per cent of them receiving money from their children compared to 56 per cent of men.<sup>90</sup>

**Figure 31: Proportion of older people, by living arrangements and gender**



Older people = people over 60  
Source: Susenas (March 2017)

**Nevertheless, most elderly people do not want to be dependent on others.** Among many cultures in Indonesia, for example, in Java, older people are expected to be 'givers' and 'providers' for others.<sup>91</sup> One reason that people continue to work in old age is to avoid falling into unilateral dependency on others since this would result in a loss of status. Around 22 per cent of older people actually provide financial support to other households.<sup>92</sup>

<sup>90</sup> IFLS (2014)

<sup>91</sup> Kreager and Schroder-Butterfill (2008, 2010, 2012)

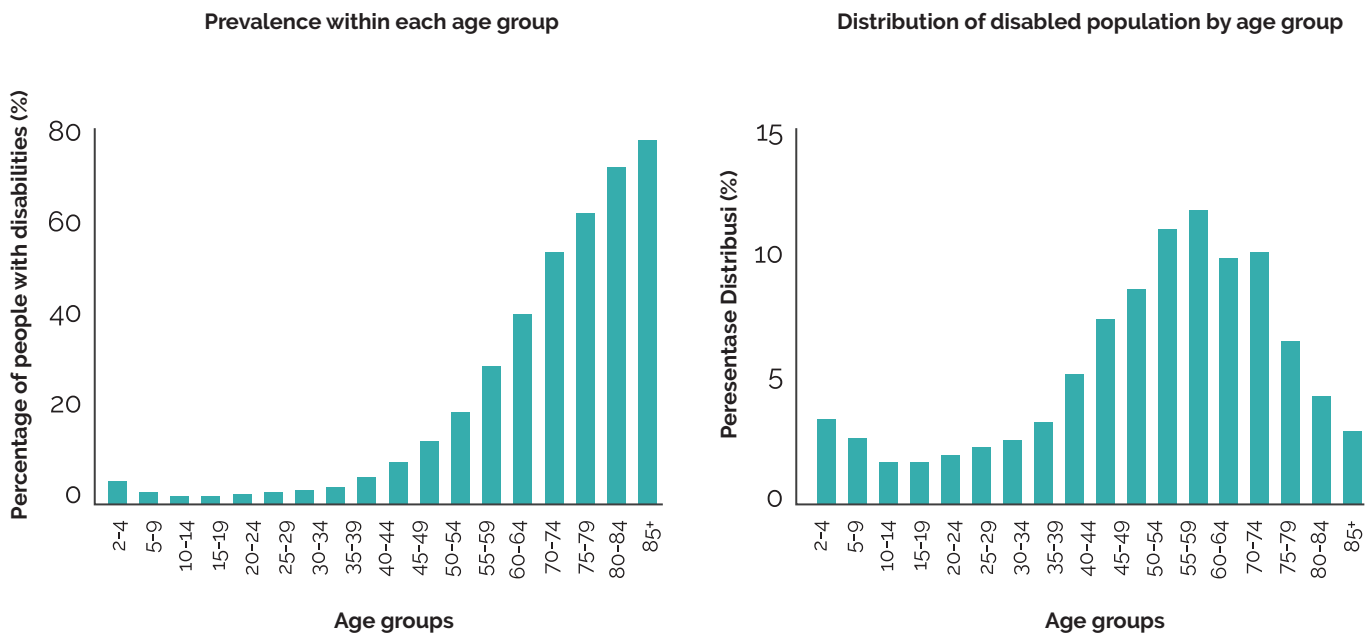
<sup>92</sup> Based on IFLS (2014); This considers transfers in the form of money or loans, tuition, healthcare costs, in-kind transfers and/or other monetarised transfers.

## 2.4 Disability

According to the 2015 intercensal population survey (SUPAS)<sup>93</sup> almost 9 per cent of the population aged two and above have a moderate or severe disability and the IFLS (2014) found that just over 10 per cent of the population aged 15 and above experience difficulties with basic activities of daily living. As Figure 32 shows, disability rates vary across age groups, with older people having the highest rates. However, in terms of numbers, most people with a disability are part of the working-age population. Overall, 24 per cent of households include at least one member with a moderate or severe disability.

This means it is a significant issue that needs to be addressed. Across developing countries, if people with a disability do not have the support they require throughout their lives, evidence in some countries indicates that GDP can be reduced by between 1 and 6 per cent.<sup>94</sup>

**Figure 32: Prevalence of disability and distribution of people with moderate or severe disabilities in Indonesia, across age groups**

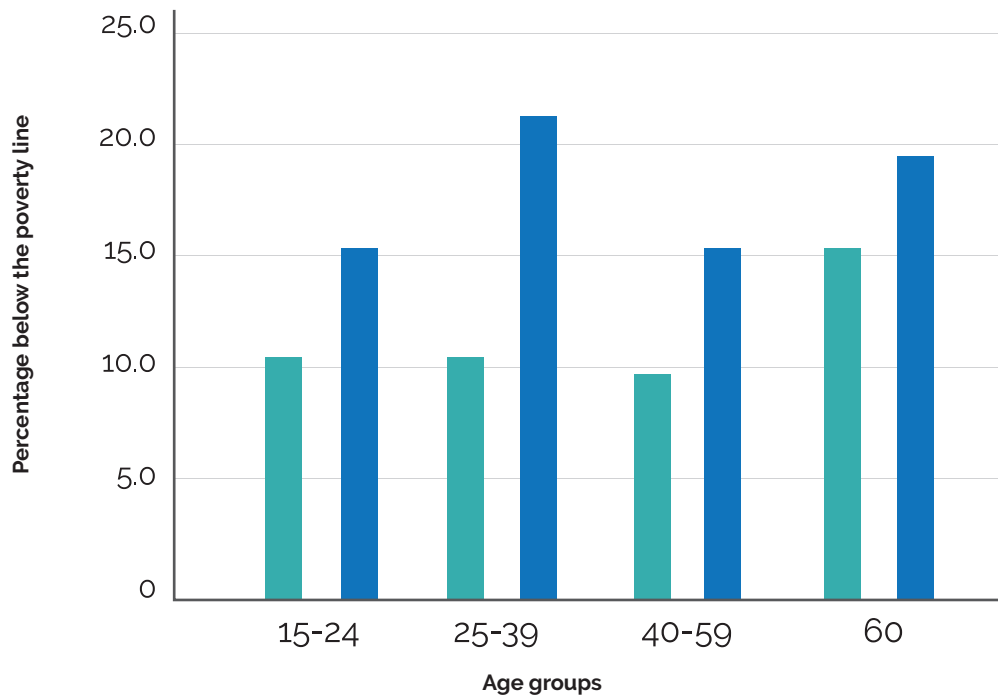


Source: SUPAS (2015)

<sup>93</sup> SUPAS defines people with disability as having physical, mental, intellectual or sensory limitations, that in the long term can make it difficult for them to participate fully and effectively based on equal rights. SUPAS assesses the severity of disability by following the Washington Group disability questions.

<sup>94</sup> UN DESA (2017)

Figure 33: Poverty rates in Indonesia according to disability status, by age group



Without limitation ADL  
At least one severe limitation

ADL = activities of daily living  
Official BPS poverty line = IDR11,994 per person per day  
Source: IFLS (2014)

For instance, families with young children are disadvantaged given the high costs of care and medical services, particularly if the remaining caregiver has to give up work or reduce their working hours.<sup>96</sup> School-aged children with disabilities (approximately 1.5 per cent of the population) are much less likely to be in school due to inadequate provision, discrimination, barriers in schools, an absence of assistive devices or the higher costs for families.<sup>97</sup> Families may also keep children with disabilities away from school due to shame or a belief that they will never be productive or independent.<sup>98</sup>

<sup>96</sup> Mitra (2006); Mitra, Posarak and Vick (2013); Groce *et al.* (2011); UNICEF (2016)

<sup>97</sup> Mitra (2006)

<sup>98</sup> UN DESA (2018); Burkhauser (2014); Mitra, Posarak and Vick (2013); UNICEF (2016)



**Young people with disabilities are often in an even more challenging position as they transition from childhood into adulthood and face difficulties in both employment and independent living.** Not only do many enter working life with lower education levels, they also face discrimination, higher costs in obtaining work and lower wages if they do manage to obtain a job.<sup>99</sup>

**People with disabilities consistently participate less in the labour force than the general population and most are self-employed.** This could be due to the significant extra costs involved in accessing work and the discrimination people with disabilities encounter when they are seeking jobs. While legislation is in place for positive discrimination to give people with disabilities access to formal sector employment, it is unclear whether this is monitored or enforced.<sup>100</sup>

**Disability is a key issue among older people since at least four out of ten elderly people experience some form of disability and just under 10 per cent have a severe disability.**<sup>101</sup> This reduces their ability to work and increases the likelihood of having to depend on others which can place a significant burden on their families.

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<sup>99</sup> There is no data on the disability prevalence especially for the working age group.

<sup>100</sup> TNP2K (2013); UN DESA (2018); Mitra (2006); WHO and World Bank (2011)

<sup>101</sup> Adioetomo, Mont, Irwanto (2014); WHO (2012); OECD (2015); Estimates are based on the 2010 census.







# 3

## INDONESIA'S CURRENT SOCIAL PROTECTION SYSTEM







Over recent years Indonesia has been expanding both its contributory and non-contributory social protection programs. Significantly more people have access to fully subsidised health insurance through the national health insurance program<sup>102</sup> and many more formal workers have access to an employment insurance program.<sup>103</sup> Nevertheless, non-contributory schemes remain comparatively limited in scope, coverage and spending.

Section 3.1 provides a brief overview of Indonesia's contributory and non-contributory schemes, including a breakdown of social protection spending. Sections 3.2 and 3.3 discuss the implementation of non-contributory and contributory schemes (respectively), including existing institutional arrangements, coverage and targeting effectiveness. Finally, section 3.4 analyses the gaps in social protection coverage across the life cycle.

### 3.1 An overview of Indonesia's current social protection system

As described in Figure 34, Indonesia's social protection system consists of non-contributory social assistance schemes and contributory social insurance schemes. Indonesia's spending on non-contributory schemes has focused on three key programs: the food assistance programs, *Rastra* (formerly known as the *Raskin* program) and BPNT;<sup>104</sup> the conditional cash transfer program for poor families, *Program Keluarga Harapan* (PKH); and the educational cash transfer program, *Program Indonesia Pintar* (PIP), for poor and at-risk students. Additionally, the social assistance for older persons scheme, *Asistensi Sosial Lanjut Usia Terlantar* (ASLUT) and the disability benefits scheme, *Asistensi Sosial Penyandang Disabilitas Berat* (ASPDB) provide cash transfers to a small number of elderly people and people with disabilities respectively.

Indonesia's contributory system consists of two main schemes: the national health insurance scheme, *Jaminan Kesehatan Nasional* (JKN), and the employment insurance scheme, *Jaminan Ketenagakerjaan*. The employment insurance scheme consists of four programs: old age savings with disability benefit (JHT); work injury compensation (JKK); survivors' benefit (JKM); and elderly pension (JP). The national health insurance scheme, however, is a hybrid of both contributory and non-contributory schemes where government fully subsidises the premium for the bottom 40 per cent of the population.

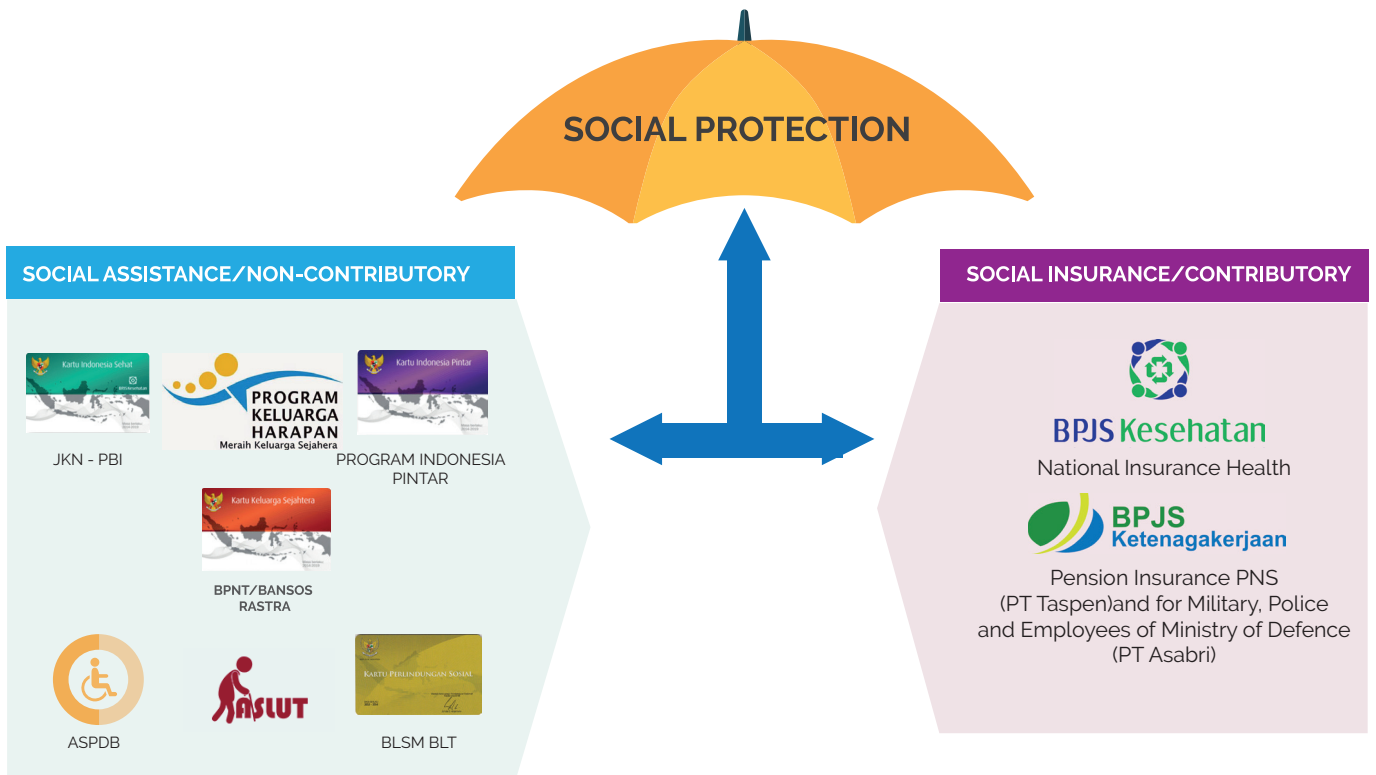
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<sup>102</sup> This is known as PBI – standing for *Penerima Bantuan Iuran* (fully subsidised health insurance) – and comes under the national health insurance program (JKN)

<sup>103</sup> This is through the Social Security Agency for Employment, known as BPJS (*Badan Penyelenggara Jaminan Sosial*) *Ketenagakerjaan*.

<sup>104</sup> In 2018, *Rastra* was gradually reformed into *Bantuan Pangan Non Tunai* (BPNT), an electronic food voucher scheme to help poor households purchase not just rice but eggs and other food items.

Figure 34: Indonesia's existing social protection system



A detailed description of each scheme, including its coverage, benefit level, budget and implementing ministry are included in Annex 1. The overall investment in non-contributory transfers equals 0.55 per cent of GDP, including social assistance and government's contributions to the health insurance scheme (see Table 1). Members' contributions to the employment insurance schemes equate to about 0.18 per cent of GDP, with a total social protection investment of 0.73 per cent of GDP.

**Table 1: Indonesia's social protection investment, 2017**

Social Protection in Indonesia	Investment (in IDR)	Percentage as compared to GDP (%)
<b>Social Assistance/Non Contributory (Government/Tax-Financed)</b>		
PKH, PIP, Rastra/BPNT	44 T	0,35%
Subsidised Health Insurance (JKN-PBI)	26 T	0,20%
<b>Total Social Assistance and Subsidised Health Insurance (JKN-PBI)</b>	<b>70 T</b>	<b>0,55%</b>
<b>Employment Insurance/Contributory</b>		
<i>Jaminan Ketenagakerjaan</i> (JKK-JHT-JKM dan JP), PT Taspen dan wPT Asabri	25 T	0,18%
<b>Total Social Protection Investment</b>	<b>95 T</b>	<b>0,73%</b>

**Remarks:**

- Indonesia PDB 2017: 13.717 T
- APBN 2017: Rp2.080 T

Source: Bappenas and MoF (2017); Program administrative information – TNP2K calculations (2018)

### 3.2 Implementing non-contributory schemes

This section outlines Indonesia's non-contributory social protection schemes, looking first at the institutional arrangements and then briefly describing the coverage and targeting effectiveness of the main social assistance programs (Rastra-BPNT, PKH and PIP) while briefly discussing ASLUT, ASPDB and the child welfare program, *Program Kesejahteraan Sosial Anak* (PKSA).

Most social assistance programs are managed by the Ministry of Social Affairs (MoSA) while the Ministry of Education and Culture (MoEC) and the Ministry of Religious Affairs (MoRA)<sup>105</sup> manage the educational cash transfer program (PIP). However, other ministries also play key roles in implementing social protection. The Coordinating Ministry for Human Development and Cultural Affairs coordinates the planning, implementation and evaluation of all social assistance programs while the Ministry of Home Affairs ensures that central and local governments cooperate and handles grievance mechanisms for certain

<sup>105</sup>This includes the Directorate Generals of Primary and Secondary Education, Early Childhood Education and Community Education under MoEC and the Directorate Generals of Moslem Education, Christian Education, Catholic Education and Informal Moslem Schools under MoRA.



programs. The Ministry of National Development and Planning (Bappenas) ensures that social assistance programs are allocated appropriate budgets and included in the short, medium and long-term development processes.<sup>106</sup> The programs are financed through the Ministry of Finance (MoF).

**Institutional arrangements for Indonesia's social assistance schemes have changed little since they were first implemented.** However, the National Team for the Acceleration of Poverty Reduction (known as TNP2K) was established by Presidential regulation No 15 of 2010 and amended with Presidential regulation No 96 of 2015. The team comprises a range of ministries and its secretariat functions as an ad hoc think-tank institution chaired and overseen by the vice president of Indonesia. TNP2K's predominant tasks are to:

- formulate poverty reduction policies and programs;
- synchronise, harmonise and integrate various poverty reduction programs in the ministries or institutions;
- oversee the implementation of poverty reduction programs and activities;
- offer technical advice to organisations implementing social assistance schemes;
- manage the Unified Database (UDB) (see the Introduction for a description).

Since 2016, the UDB is being managed by the UDB working group which consists of the Coordinating Ministry for Human Development and Cultural Affairs, Ministry of National Planning (Bappenas), TNP2K secretariat, Ministry of Social Affairs, Ministry of Home Affairs and the Indonesian Bureau of Statistics (BPS).

### 3.2.1 The food assistance programs

**Raskin (currently known as Rastra or rice assistance for the poor) was launched during the 1998 economic crisis to allow poor and at-risk households to purchase rice at a subsidised rate.** In 2017, Rastra started being gradually reformed from providing in-kind rice into an electronic food voucher program, known as *Bantuan Pangan Non Tunai* (BPNT). The process of reforming Rastra to become BPNT across the country is still ongoing. BPNT helps poor households purchase rice and eggs<sup>107</sup> and, by providing the cash electronically through bank accounts, the program improves the financial inclusion of poor families. As of 2018, a total of 15.6 million families continue to receive food assistance

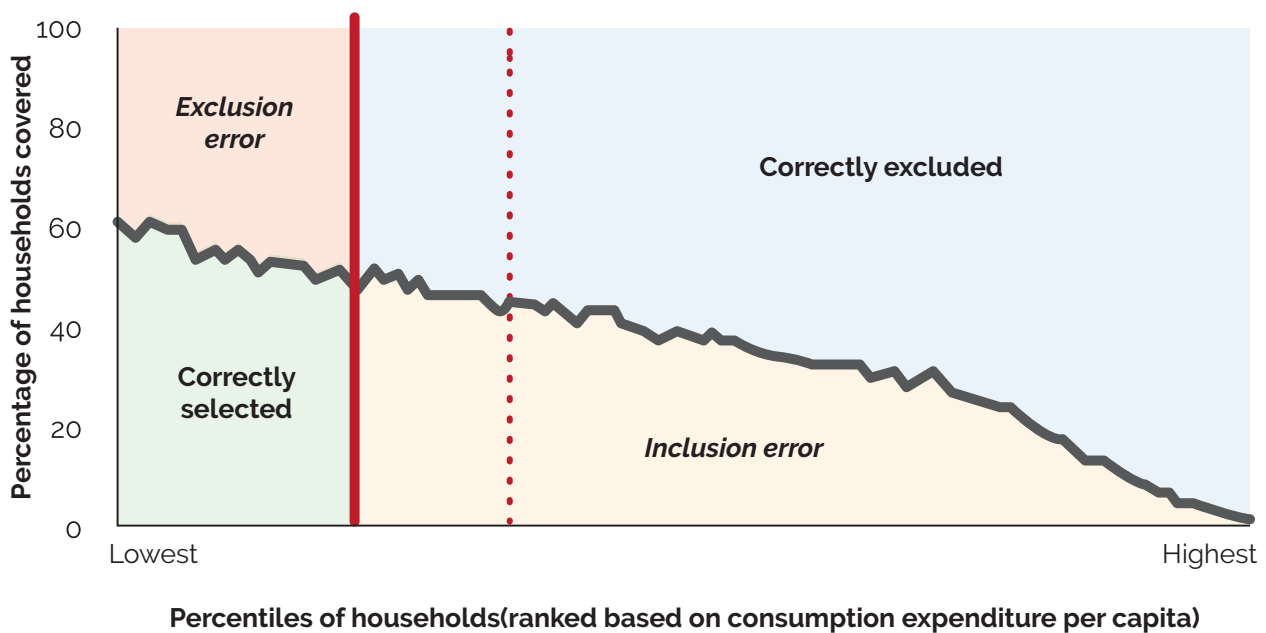
<sup>106</sup> Long-term development is defined by the national long-term development plan (RPJPN), which currently runs from 2005 to 2025. Medium-term development is defined by the national medium-term development plan (RPJMN), which currently runs from 2015 to 2019 (Bappenas 2014).

<sup>107</sup> These items can later either be changed or varied depending on the policy.

with 10 million families anticipated to receive BPNT and 5.6 million families continuing to receive Rastra support.<sup>108</sup> BPNT and Rastra combined are government's largest income transfer programs, with allocated spending of 0.18 per cent of GDP.

**Figure 35 indicates the percentage of households benefitting across consumption percentiles, from poorest to richest.** Although 15.6 million families were officially registered as beneficiaries of the food assistance programs in 2017, in practice, around 28.6 million households were benefitting. This is because many communities disagreed with the practice of poverty targeting and distributed the rice to everyone in the community.<sup>109</sup> Rastra therefore had relatively high coverage of those living in poverty. Nonetheless, around 45 per cent of the poorest 15.5 million households were excluded from the scheme in 2017 (shown by the solid red line in Figure 35, while the jagged red line shows the proportion actually receiving Rastra). If communities had not managed the distribution, the error would have been even higher.

**Figure 35: Targeting effectiveness of the Rastra program, 2017**



**Note:** The solid red line shows the proportion of households intended to receive subsidised rice, according to administrative data (as measured by the x-axis from left to right). The dashed red line shows the proportion of households who actually received subsidised rice, according to Susenas. The black line shows coverage – the percentage of households receiving subsidised rice by percentile.

Source: Susenas (March 2017); calculated by TNP2K-Mahkota (2018)

<sup>108</sup> The difference between the original subsidised Rastra program and the current Rastra social assistance is the price of the subsidised rice. The beneficiary families used to pay the subsidised price of IDR1.600 per kg for the rice and they could buy 15 kgs per month. While in the current rice assistance, the beneficiary families do not need to pay for the rice and they get a maximum of 10 kg per month.

<sup>109</sup> TNP2K (2015)

### 3.2.2 The conditional cash transfer program for poor families – *Program Keluarga Harapan*

***Program Keluarga Harapan***, referred to as PKH, was designed as a conditional cash transfer program for very poor families with pregnant mothers and children and was first launched in 2007.<sup>110</sup> PKH aims to reduce inter-generational poverty in the long-term by investing in children's health and education, thereby boosting the human capital development of future generations.<sup>111</sup> In the short-term, the transfers are intended to stimulate consumption and boost local economic growth.

In 2017, the number of beneficiaries increased from 3.5 to 5.98 million households and by 2018 the program was reaching 10 million households. Currently, program beneficiaries receive a flat benefit of IDR1,890,000 per family per year (with a 'top-up' if they have elderly or disabled members).<sup>112</sup> In 2019, the program will no longer be based on a flat benefit but will revert back to the 2007 design where the benefit level was based on the number of children in the household although it will be at an increased benefit level. However, international evidence suggests that the benefit should equate to approximately 20 per cent of household income.<sup>113</sup> Based on current government discussions, the new PKH benefit will still fall short of meeting this threshold.

The program also incorporated beneficiaries from Indonesia's tax-financed social assistance for the elderly scheme (known as ASLUT – *Asistensi Sosial Lanjut Usia*) and the disability benefits scheme (known as ASPDB – *Asistensi Sosial Penyandang Disabilitas Berat*) after they were integrated into PKH in 2017. At the time of preparing this strategy, MoSA reported that the program had reached 150,000 elderly people and 50,000 people with disabilities and provided them with an additional IDR2 million per year.

Although PKH is targeted at the poorest families, most of the poorest families miss out on the benefits (see Figure 36). The program's exclusion error measured against coverage (which was 7 per cent of all households at the time) was 84 per cent.<sup>114</sup> The scheme has expanded since March 2017, so coverage of the target population has increased but exclusion errors are still likely to be high.

<sup>110</sup> Nazara and Kusumastuti Rahyu (2013); TNP2K (2015)

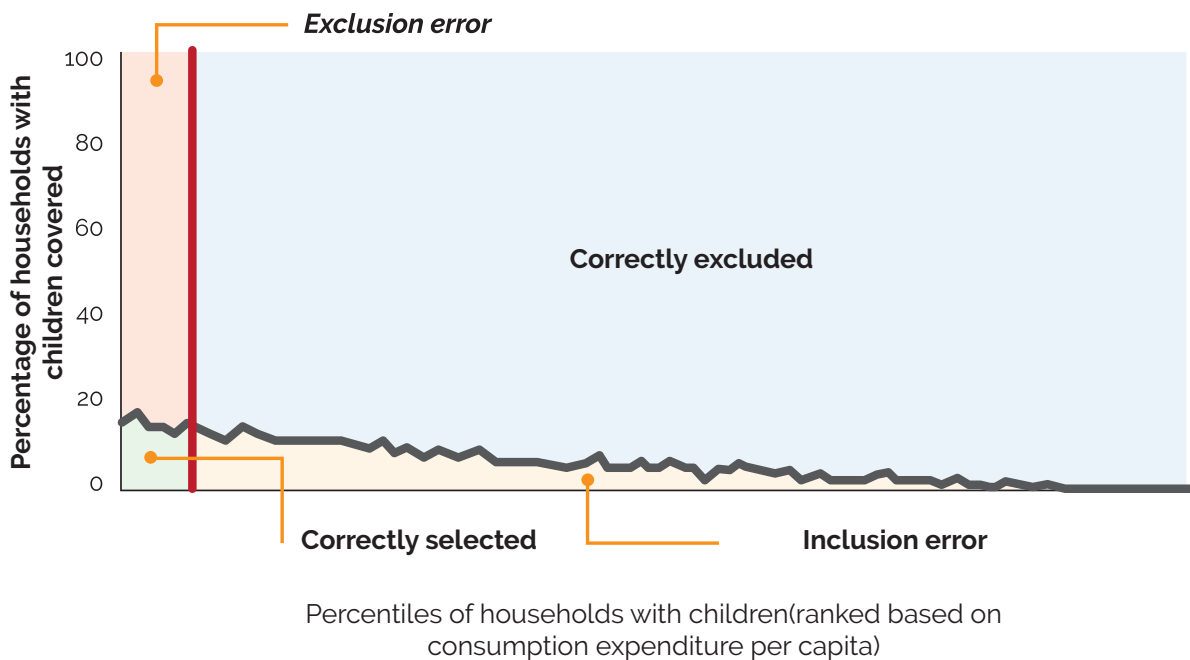
<sup>111</sup> TNP2K (2014)

<sup>112</sup> Since 2017, beneficiary households that include a person with a severe disability or a person over 70 years receive an additional IDR2,000,000 per year. However, the manner of providing top-up payments is inconsistent, with some districts providing cash to the elderly and disabled through their own bank accounts and others adding top-ups to the PKH beneficiary's account.

<sup>113</sup> ILO (2018)

<sup>114</sup> TNP2K (2017); Susenas (2015)

**Figure 36: Targeting effectiveness of Program Keluarga Harapan, 2017**



**Note:** Coverage is measured among households with children. The red line represents the total proportion of all households receiving PKH. The black line shows the proportion of households receiving PKH (Y-axis) disaggregated by percentile (X-axis).

Source: Susenas (2017); calculated by TNP2K-Mahkota (2018)

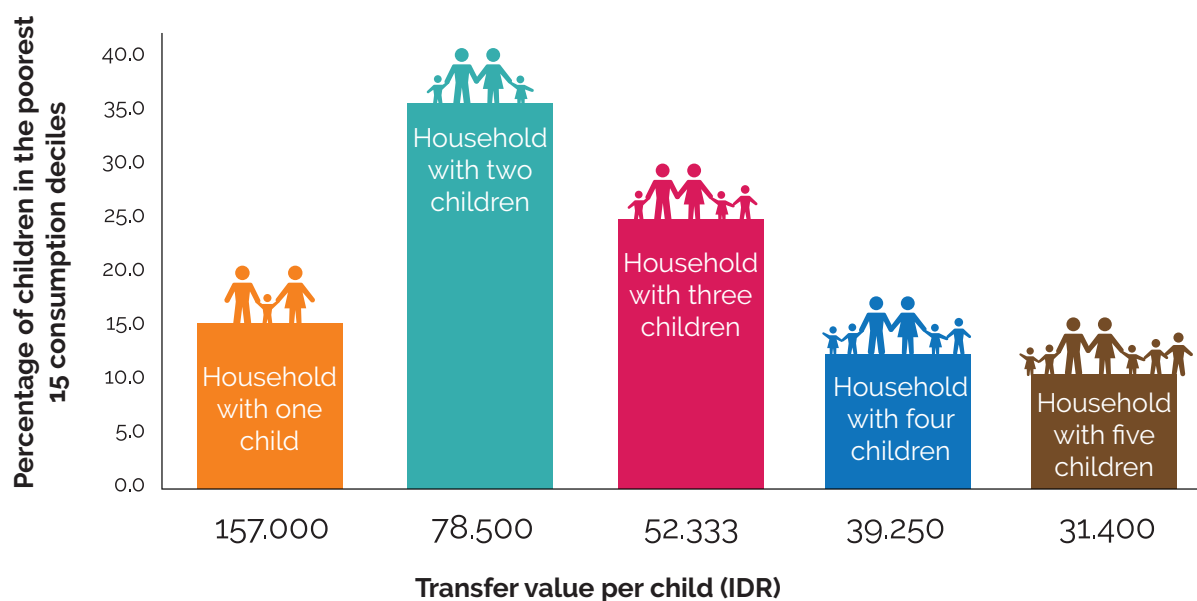
**Furthermore, modifications in the payment arrangements for PKH have significantly influenced the program design.** Until 2016, the program effectively functioned as a form of child benefit for the poorest families but since a flat benefit rate per household was instituted, the benefit level per child has become inadequate. Having a flat benefit rate means that the effective transfer children receive – assuming the basic transfer is allocated to children – varies greatly by family (see Figure 37). Thus, a family with one child receives IDR157,500 per month per child (approximately USD12 per month) while a household with six children effectively receives only IDR26,250 (less than USD2) per month per child.<sup>115</sup>

**Figure 37 illustrates the transfer values that children are likely to receive on the program: 37 per cent receive about IDR78,750 (equivalent to USD5.9) per month while 46 per cent receive IDR52,500 (equivalent to USD3.9) or less.<sup>116</sup>** These are small amounts and limit the potential impact of the program. Furthermore, given that poverty increases as the number of children in a household increases, the recent reforms have restricted the program's effectiveness in reducing poverty.

<sup>115</sup> USD1 = IDR13,381 (average nominal exchange rate according to OECD 2017)

<sup>116</sup> Ibid

**Figure 37:** Value of the *Program Keluarga Harapan* transfer per child, according to household size



Source: Susenas (2017)

### 3.2.3 The educational cash transfer program, *Program Indonesia Pintar*

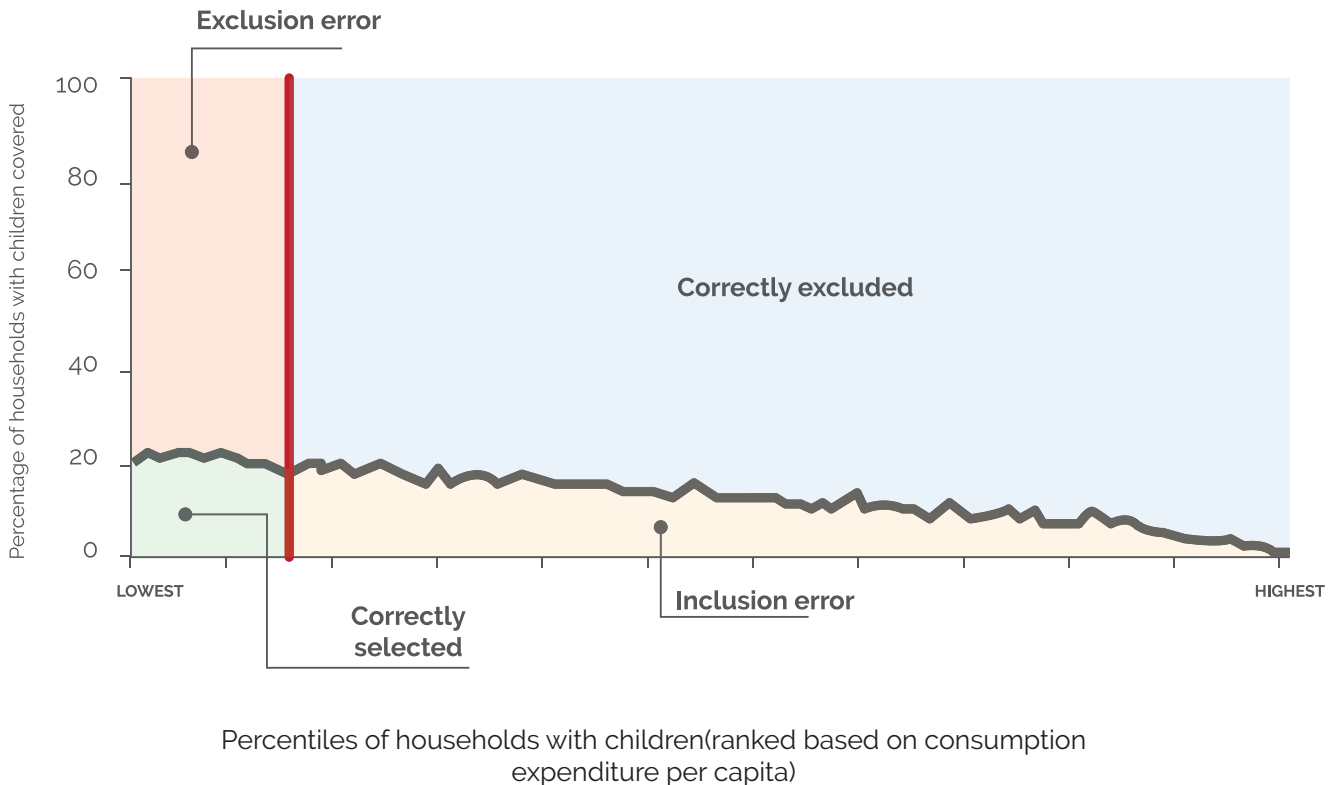
***Program Indonesia Pintar***, referred to as PIP, provides a cash stipend directly to students living in poverty to cover their personal expenses, such as transport, daily allowances and books. The program began as the student assistance program, *Bantuan Siswa Miskin* (BSM), in 2008 and was re-named in 2015.<sup>117</sup> The main objectives of PIP are to remove barriers to school access, reduce the number of school drop-outs and to support the government's priority of 12 years universal basic education. In 2017 PIP reached approximately 19.7 million students aged between 6 and 21 years. Children from the bottom 25 per cent of households (as identified by the Unified Database) who have Smart cards (*Kartu Indonesia Pintar* – KIP), social protection cards (*Kartu Perlindungan Sosial* – KPS) or family welfare cards (*Kartu Keluarga Sejahtera* – KKS)<sup>118</sup> are eligible for the program. Beneficiaries of other social assistance programs, like PKH, are also prioritised and are automatically eligible for the benefit.

<sup>117</sup> A similar but smaller scholarship scheme had also been implemented as part of the Social Safety Net program after the 1998 economic crisis.

<sup>118</sup> Larasati and Howell (2014); Start in 2017, only students with *Kartu Indonesia Pintar*/KIP eligible for the benefit of PIP – no longer the one with KPS/KKS

Nevertheless, the program only reaches 23 per cent of the poorest decile of the population and in 2017 the exclusion error was 78 per cent when measured against intended coverage (see Figure 38). Many PIP beneficiaries still come from the lists of students proposed from schools, local governments and other sources, which can lead to elite capture and can contribute to the high inclusion errors.

**Figure 38: Targeting effectiveness of *Program Indonesia Pintar*, 2017**



**Note:** Coverage is measured among households with children aged 6–21 years. The red line represents the total proportion of all households that should be receiving PIP. The black line shows the proportion of households actually receiving PIP (Y-axis) disaggregated by percentile (X-axis).  
Source: Susenas (March 2017); calculated by TNP2K-Mahkota (2018)

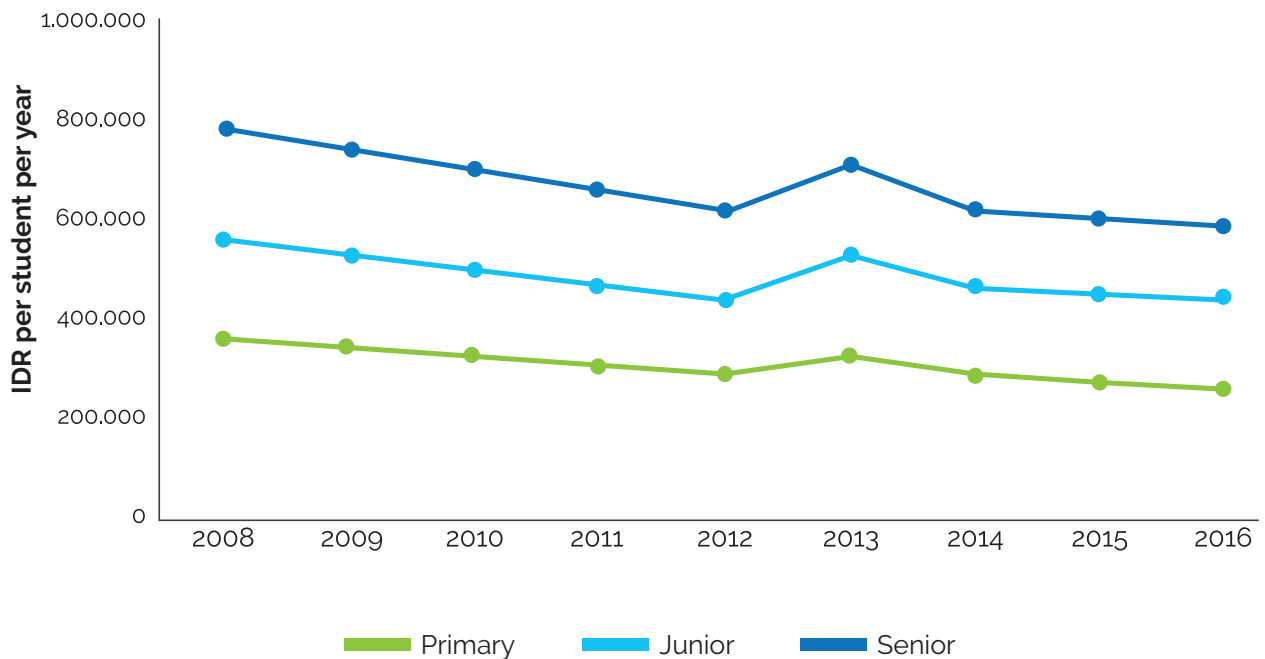
The benefit value of the program depends on the school level, with primary or equivalent students receiving IDR450,000 per academic year, junior secondary or equivalent students receiving IDR750,000 per academic year and senior secondary or equivalent students receiving IDR1,000,000 per academic year.<sup>119</sup> However, the transfer does not cover the real costs since parents have annual out-of-pocket expenses of approximately IDR1 million, IDR2 million and IDR3 million respectively for the different levels of education.<sup>120</sup> Furthermore, as Figure 39 indicates, the real value of the transfer has fallen significantly in recent years, reducing the program's impact.

<sup>119</sup> The equivalent education levels referred to here are as follows: Madrasah Ibtidaiyah or Package A equivalency education for primary, Madrasah Tsanawiyah or Package B equivalency education for junior secondary and Madrasah Aaliyah or Package C equivalency education for senior secondary level.

<sup>120</sup> TNP2K (2015)



**Figure 39: Change in the value of the *Program Indonesia Pintar* transfer, adjusted for inflation, 2008–2016**



Source: World Bank (2017)

### 3.2.4 Social assistance for older persons and disability benefit schemes – *Asistensi Sosial Lanjut Usia* and *Asistensi Sosial Penyandang Disabilitas Berat*

***Asistensi Sosial Lanjut Usia* (ASLUT) provides a cash transfer for poor, abandoned and bed-ridden elderly people (from the age of 60 and above).** The objective is to provide the most vulnerable elderly with a minimum income to fulfil their basic needs. The transfer value is IDR200,000 per month and the program reached just 30,000 elderly people in 2016.

*Asistensi Sosial Penyandang Disabilitas Berat* (ASPDB) provides a cash transfer for people with severe disability with the aim of offsetting some of the costs associated with disability. The transfer value is IDR300,000 per month and it reached 22,500 individuals with severe disability in 2016.

In 2017 and 2018, the beneficiaries of ASLUT and ASPDB have been receiving their transfers through PKH, thus increasing the coverage of the elderly (from 30,000 to 150,000 people) and people with disabilities (from 22,500 to 50,000 individuals) (see Section 3.2.3 for further explanation). However, there is no evidence that the same beneficiaries in ASLUT and ASPDB are now receiving transfers from PKH.

### The child welfare program – *Program Kesejahteraan Sosial Anak*

*Program Kesejahteraan Sosial Anak* (PKSA) has been operating since 2009 and targets displaced and abandoned children, children with disabilities, juvenile delinquents, children requiring special protection and street children. The objective is to help beneficiaries access schools, health facilities and social rehabilitation services. The program provides IDR1.5 million per year per eligible child.<sup>121</sup> There were 77,430 beneficiaries in 2017, down from the 110,610 in 2016, but the program is expected to reach 100,482 children in 2018. However, more than four million children are estimated to have social welfare issues and these children are eligible for the program.<sup>122</sup> A rapid assessment conducted in 2015 showed that the program has increased beneficiary children's access to basic education services and increased parents' involvement in the care and protection of their children (such as better interaction with their children, better provision of economic support, among others).<sup>123</sup>

## 3.3 Implementing contributory schemes

This section outlines Indonesia's contributory social security system, looking first at the institutional arrangements and then briefly describing the coverage and targeting effectiveness of the main programs.

### Institutional arrangements for contributory schemes

**In 2004 the government passed Law No 40 to consolidate all social insurance schemes into a unified national social security system.**<sup>124</sup> The law mandates the establishment of a single national social security agency (BPJS).

**The Social Security Agency collects contributions, administers benefits and manages the investment funds.** The contributions mandated by the program are the equivalent of 9.24 per cent of monthly salaries (both from the wage earners and the company). In 2017, the fund received total annual contributions of IDR40,095 billion. As of September 2017, the program included 496,709 companies and 24,096,776 members which is the equivalent of 15 per cent of the working-age population.<sup>125</sup>

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<sup>121</sup> MoSA (2015)

<sup>122</sup> BPS (2012) MoSA data centre (2013), Directorate of Children Welfare, MoSA (2015). According to Adioetomo *et al.* (2014) in 2010–2011 the program covered the following number of beneficiaries in each of its target groups: displaced children: 1,405; abandoned children: 135,014; street children: 6,173; juvenile delinquents: 430; children with disabilities: 2,041; and children who require special protection: 2,258.

<sup>123</sup> UNICEF (2015), see <https://www.unicef.org/indonesia/id/PKSA2015.pdf>

<sup>124</sup> The changes are mandated under Law No 24 of 2011 regarding social security agencies, enacted on 15 November 2011 in line with Law No 40 of 2004 regarding the establishment of a national security system.

<sup>125</sup> Social Security Agency for Employment (2017)

Subsequently, Law No 24 of 2011 stipulated that the agency could further divide into the Social Security Agency for Employment (BPJS *Ketenagakerjaan*) and Social Security Agency for Health (BPJS *Kesehatan*).<sup>126</sup> These agencies and their respective schemes are described in turn.

### 3.3.1 Employment insurance programs – *Jaminan Ketenagakerjaan*

**Social security for employment is managed by the Social Security Agency for Employment (BPJS *Ketenagakerjaan*) which provides old age savings with disability benefit (JHT), survivors' benefit (JKM), work injury compensation (JKK) and elderly pensions (JP).** If members contributing to the JHT program reach retirement age or experience permanent disability resulting in job loss, they are entitled to withdraw their full contributions. Those who reach retirement age are obliged to withdraw the full amount at one time, meaning that the program acts as a savings program for old age rather than a regular pension. Members who experience severe disability and are no longer able to work are entitled to a monthly benefit (based on their contributions) until their death. In 2015, just 249 people were being compensated for work-related disabilities. JHT contributors can also partially withdraw their funds before retirement age if they have been contributing members for 10 years.<sup>127</sup>

**The elderly pension (JP) acts as a regular pension for the elderly and can be withdrawn on a monthly basis if the member has contributed for at least 15 years and reached retirement age.**<sup>128</sup> However, it will be some time before the program can deliver adequate old age pensions to its members. If members enrol in 2018, the earliest that they will access any old age pension will be 2033 but this is likely to be low due to the limited time they will have saved. It will not be before 2040 that members will receive a reasonable pension and, even then, only a small proportion of older people will benefit, given the low number of current contributors.

<sup>126</sup> Existing schemes, such as the social insurance for employment (PT Jamsostek) and the state pension fund were consolidated into the Social Security Agency for Employment.

<sup>127</sup> BPJS *Ketenagakerjaan*, [https://www.bpjsketenagakerjaan.go.id/page/Program-Jaminan-Hari-Tua-\(JHT\).html](https://www.bpjsketenagakerjaan.go.id/page/Program-Jaminan-Hari-Tua-(JHT).html)

<sup>128</sup> BPJS *Ketenagakerjaan*, <https://www.bpjsketenagakerjaan.go.id/jaminan-pensiun.html>

The Social Security Agency for Employment offers the four insurance programs to two groups: wage-recipient workers (*pekerja penerima upah* – PPU) and non-wage recipient workers (*bukan penerima upah* – BPU). Wage-recipient workers include formal sector employees while non-wage recipient workers include informal or self-employed workers.<sup>129</sup>

Participation in all programs is mandatory for wage-recipient workers, excluding civil servants, military personnel and the police. However, based on the existing regulation (Regulation No 109 of 2013), if non-wage recipient workers wish to contribute to the old age savings with disability benefit scheme (JHT), they must join the survivors' benefits and work injury compensation schemes (JKM and JKK) as pre-conditions. Additionally, non-wage recipient workers are unable to contribute to the elderly pension (JP). While all programs are important for protecting citizens against various risks, the elderly pension is particularly critical in enabling working age citizens to save for their old-age retirement. However, this regulation has created practical barriers to achieving this for the informal sector.

In an effort to increase non-wage recipient workers membership, the Social Security Agency for Employment allows non-wage earners with minimum reported earnings of IDR 1,000,000 to contribute to the schemes at the specified monthly contributions, as follows (JKK and JKM are mandatory):

- JKK (work incident benefit), IDR10,000
- JKM (survivor's benefit), IDR6,800 and;
- JHT (old age and disability insurance), a minimum of IDR20,000.<sup>130</sup>

Given the limited capacity for people in the lower deciles to contribute, the Social Security Agency for Employment has proposed that the government subsidise JKK and JKM for the 'poor and at-risk'.<sup>131</sup> While this is a start, those engaged in informal work have different social security needs and priorities from those in the formal sector. For instance, work-related injuries may not be of benefit to all non-wage recipient workers,<sup>132</sup> particularly for agricultural workers in rural areas who may not have formal employers, but old age and disability risks usually place the greatest burden on low-income earners.

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<sup>129</sup> Wage-recipient workers (*pekerja penerima upah* – PPU) are any workers who work for salaries, wages or other forms of remuneration from an employer.

Non-wage recipient workers (*bukan penerima upah* – BPU) are those who carry out economic activities or businesses independently to earn income from their activities or businesses. This includes: the self employed; workers outside formal employment or independent workers; and workers who do not receive wages from formal employment, for example motorcycle or taxi drivers, public transport drivers, mobile traders, doctors, lawyers or advocates, artists, and so on.

<sup>130</sup> There are several premium options for JHT membership.

<sup>131</sup> The budget for this proposal is IDR5,6 trillion and based on the Social Security Agency for Employment information, the proposal is for the working age group from the bottom 40 per cent.

<sup>132</sup> ILO (2016)

**Table 2: Coverage of employment insurance under the Social Security Agency for Employment<sup>133</sup>**

ACTIVE MEMBERS : 24.096.776								
JKK & JKM (Work Injury Compensation & Survivor's Benefit)			JHT (Old Age Savings With Disability Benefit)			JP (Elderly Pension)		
Company	496,709	117% YoY	Company	388,015	113% YoY	Company	122,896	139% YoY
Individual Members	24,096,776	117% YoY	Individual Members	14,322,418	106% YoY	Individual Members	10,306,561	119% YoY

### 3.3.2 Pension for civil servants and military or police personnel managed by PT Taspen and PT Asabri

**Civil servants in Indonesia have been offered pension benefits since 1969. There are two different pension funds.** One fund, PT Asabri, caters for employees in the military, police and Ministry of Defence. The other, PT Taspen, caters for all other government employees and employees of state-owned enterprises. Both programs offer pensions and survivors' benefits as well as a life and endowment insurance known as *Tunjangan Hari Tua* (THT) which pays out a lump sum at retirement age or in the event of death during employment.<sup>134</sup> The retirement age for civil servants and state-owned company employees varies by position but most retire at 56 or 60 years. Employees with at least 20 years of employment can choose to retire earlier.

**The age of retirement and pension withdrawal varies from 58 to 60 years for civil servants and state-owned company employees, depending on position. Those who have contributed service of over 20 years are also eligible to withdraw their pension once they are over 50.** Pensionable earnings vary greatly by position but on average retired civil servants receive about 70 to 75 per cent of their last monthly earnings. In addition, pensioners also receive a rice allowance and once retired they continue to receive 100 per cent of this allowance regardless of the number of years of service.<sup>135</sup> Besides the retirement pension, there are disability and survivors' benefits regardless of whether the disability or death occurred at work.

<sup>133</sup> Social Security Agency for Employment (September 2017)

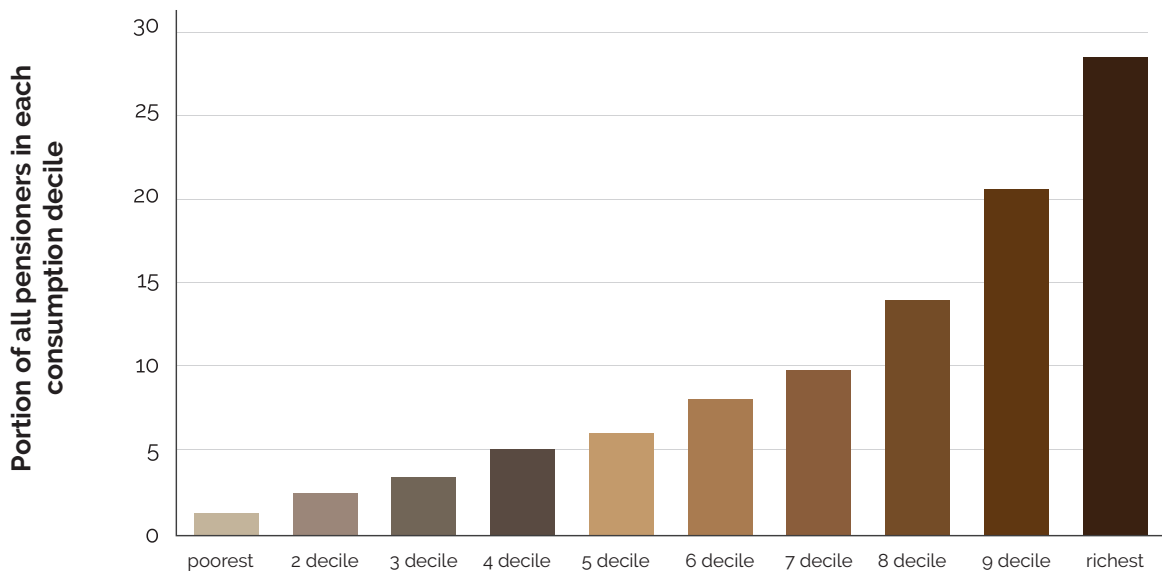
<sup>134</sup> Asher (2011)

<sup>135</sup> World Bank (2011); Government regulation no 37 of 2014 on the pension eligibility for civil servants and their widows or widowers

In 2016, PT Taspen paid out benefits to 2.2 million members and PT Asabri paid out to 48,407 members.<sup>136</sup> In October 2017, PT Taspen had approximately 6.7 million members made up of 4.2 million active civil servants and 2.5 million retired civil servants.<sup>137</sup> In 2016, PT Asabri had 936,835 members in total and 438,411 of these were from the Indonesian national police.<sup>138</sup>

Figure 40 shows the distribution of pension recipients across the wealth distribution, post-transfer.<sup>139</sup> While most recipients are among the better-off households, around 17 per cent of all recipients are in the poorest half of the consumption distribution, indicating either that their pensions are small or that they support a large number of people. Those in the poorest deciles are likely to require additional financial support.

**Figure 40: Distribution of (mainly civil service) pensions across consumption deciles, 2016**



Source: Susenas (2017)

<sup>136</sup> PT Asabri (2016); Latest figures available at the time of writing

<sup>137</sup> *Finansial* (2017)

<sup>138</sup> PT Asabri (2016)

<sup>139</sup> It is not possible to give pre-transfer distribution as Susenas does not give the value of the pensions received.



### 3.3.3 National health insurance – *Jaminan Kesehatan Nasional*

The government established the national health insurance program, *Jaminan Kesehatan Nasional (JKN)* on 1 January 2014, bringing together all the health insurance programs under the Social Security Agency for Health (*BPJS Kesehatan*). These included PT Askes for civil servants, Jamsostek for the private sector, PT Asabri for the police and military and Jamkesmas for the poor and insecure. By August 2017, the Social Security Agency for Health had 179.5 million participants, making it the largest health administrator in the world.<sup>140</sup> As Table 3 indicates, central and local governments fully subsidise 109.5 million individuals' contributions to the program or 61 per cent of the total.<sup>141</sup> The remaining 39 per cent are either public employees, private sector salaried workers and others who make their own contributions.<sup>142</sup> Recipients can access all available healthcare services and facilities.<sup>143</sup> However, due to limited investment in the health sector, the quality of services many beneficiaries receive is limited.

**Table 3: Beneficiaries of the national health insurance program, 2014–2017**

Group	2014	2015	2016	2017
Fully subsidised beneficiaries of the national health insurance program (under the national budget)	86,400,000	87,828,613	92,400,000	92,222,999
Fully subsidised beneficiaries of the national health insurance program (under the local government budget)	8,767,229	11,170,615	17,721,565	17,265,655
Contributing civil servants, military and police employees	14,249,741	15,415,428	15,460,186	N/A
Contributing PPU employees	10,077,408	22,447,094	37,767,932	N/A
Other contributing members	13,929,275	19,928,537	25,350,868	70,014,810
<b>Total</b>	<b>133,423,653</b>	<b>156,790,287</b>	<b>188,700,552</b>	<b>179,503,464</b>

N/A = Information not available

PPU = wage recipient workers

Source: Social Security Agency for Health (August 2017)

<sup>140</sup> At the time of publication (September 2018), the number of Social Security Agency for Health members was approximately 201.6 million individuals, see <https://bpjs-kesehatan.go.id/bpjs/index.php/jumlahPeserta>

<sup>141</sup> Ministry of Finance and Ministry of National Development and Planning (2017)

<sup>142</sup> Social Security Agency for Health (August 2017)

<sup>143</sup> World Bank (2017)

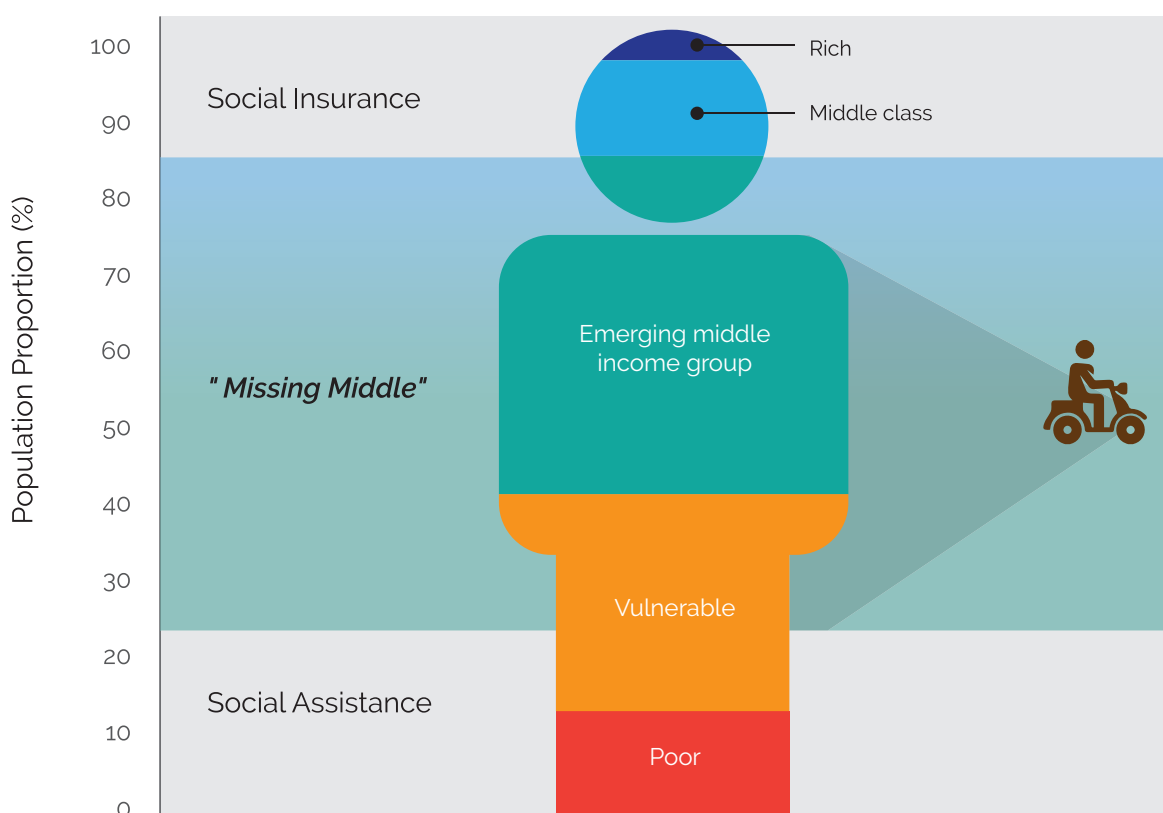
The design of the health insurance program has been challenging and its financial sustainability is under threat.<sup>144</sup> Many people only pay their contributions when they become ill and stop paying when they recover, leading to a major deficit in the program. By December 2014, the claims for contributing members were more than 600 per cent higher than their contributions.

### 3.4 Social protection coverage and gaps across the life cycle

#### 3.4.1 Social protection coverage across socio-economic levels

Indonesia's contributory schemes within the social protection system are currently reaching the more affluent members of society in the formal sector. For those living in poverty, the government provides protection through several social assistance programs (see Figure 41).

**Figure 41:** The coverage of Indonesia's social protection system offering income transfers



Source: Designed by TNP2K-MAHKOTA (2017)

<sup>144</sup> World Bank (2015)

Furthermore, the current social protection system still needs to effectively reach its two target groups – those that can afford membership of the contributory system and those eligible for social assistance. Only 50 per cent of formal sector workers are covered by the Social Security Agency for Employment<sup>145</sup> programs and, as Section 3.2 indicated, poverty-targeted schemes leave out a large percentage of the target population due to exclusion errors.

### 3.4.2 Social protection coverage across the life cycle

Gaps in coverage exist across an age dimension too. This section looks in more detail at coverage of the various social protection programs across life-cycle age-groups.

**Figure 42: Social protection programs in Indonesia across the life cycle**

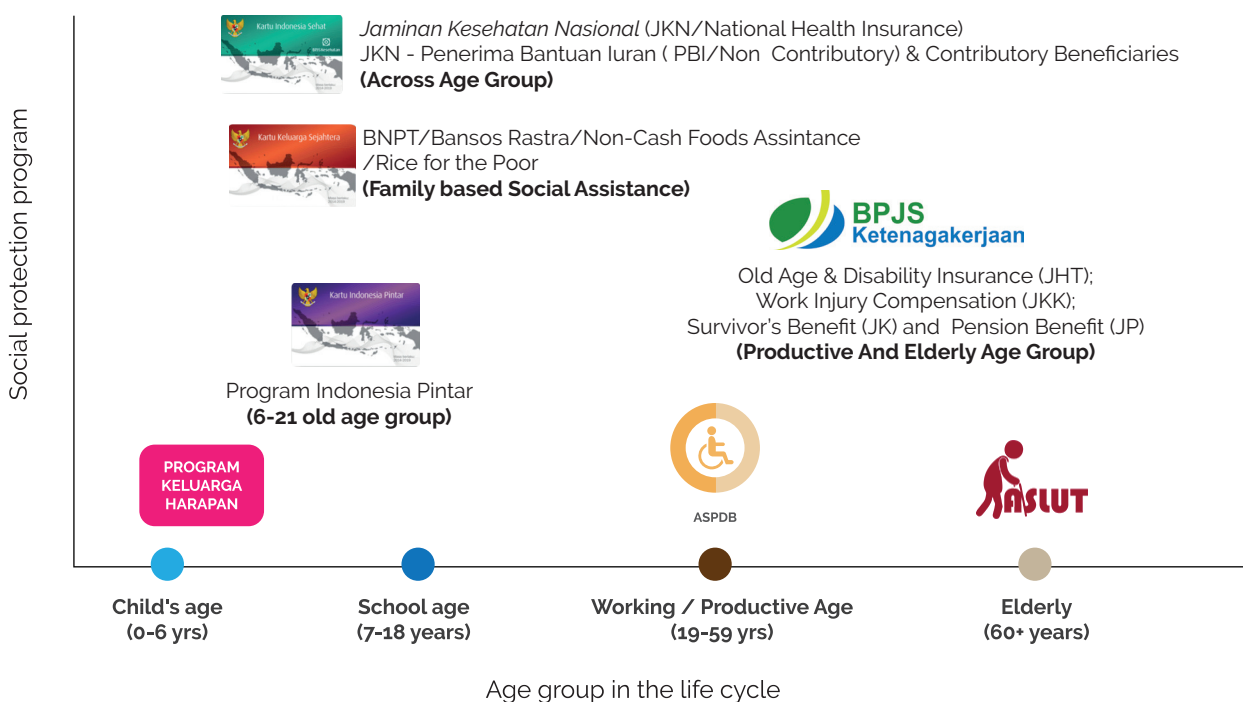


Figure 43<sup>146</sup> shows coverage of non-contributory and contributory schemes across the life cycle for those estimated to be in the bottom 40 per cent of the population, as well as for the entire population. Coverage figures are based on Susenas (2017).

<sup>145</sup> Social Security Agency for Employment (2017)

<sup>146</sup> Since Figure 43 draws on administrative data to determine coverage, it assumes that individuals reached for non-contributory schemes are among the bottom 40 per cent of the population, although this is unlikely to be accurate given the exclusion errors associated with social assistance schemes. These diagrams are intended to give a high-level overview of coverage across the life cycle and are not indicative of targeting effectiveness.

**Figure 43: Indonesia's social protection programs across the life cycle, bottom 40 per cent and all of the population, 2017 (percentages)**



Source: Susenas 2017 and 2017 program administrative data – compiled and calculated by TNP2K (2018)

Notes:

- The percentage calculation of PKH and PIP outreach in the early childhood and school age groups assume perfect targeting among the poorest 40% of households;
- For the contributory schemes, the coverage among the elderly and productive age groups only represents contributions made into the schemes as there are very limited benefit pay-outs to date

Given that social assistance is currently targeted at the poor and vulnerable, social protection coverage is higher among the bottom 40 per cent across the life cycle. However, both figures show significant undercoverage across most life-cycle stages (for instance, only 18 per cent of 0–6 year old from the bottom 40 per cent have access to PKH and only 8 per cent of children overall). The elderly have the lowest coverage of non-contributory social protection, at approximately 1.7 per cent of the bottom 40 per cent, and of contributory schemes through the Social Security Agency for Employment pension programs, PT Taspen and PT Asabri at 12 per cent coverage. School-age children are the most adequately covered (78 per cent among the bottom 40 per cent) largely due to their access to the PKH and PIP programs.

### Early childhood (0–6 years)

The coverage among pre-school children in the 0–6 age group in PKH is low, accounting for about 18 per cent of all vulnerable children among the bottom 40 per cent or 8 per cent of the total population.<sup>147</sup> This is a critical gap in the system since, as discussed in section 2.4, the nation needs to support this age group to prevent stunting and avoid the irreversible damage that can result from malnutrition in early childhood. Likewise, the coverage of JKN in this group is still low, at only 12 per cent for the bottom 40 per cent of the population and 23 per cent for the entire population aged 0–6 years.

### School-age children (7–18 years)

**School-age children have the best social protection coverage in Indonesia as a result of PKH and PIP.** Together, the two programs reach approximately 78 per cent in the bottom 40 per cent of households,<sup>148</sup> and 35 per cent of all children in the 7–18 age group out of the entire population.<sup>149</sup> JKN coverage for school-age children is also high at approximately 86 per cent coverage for those in the bottom 40 per cent and 62 per cent across the entire school age population.

**The children excluded from the two programs include approximately five million children and adolescents who are out of school (across the bottom 40 per cent).**<sup>150</sup>

Given that 81 per cent of Indonesia's labour force can be categorised as unskilled and only 12 per cent graduate from senior secondary or vocational schools,<sup>151</sup> social transfers beyond just PKH and PIP are needed. Children require incentives so that they remain in school, thereby improving the productivity of the future labour force.<sup>152</sup> There is also a need to address the targeting errors described earlier to ensure that all school-age children – in particular those living in poverty – can access financial support.

In addition, disabled children need support to overcome the extra costs they face in attending school. There is no specific child disability benefit although the child welfare program (PKSA) provides support to around 2,000 disabled children. However, this is negligible when compared to the challenges these children face.

<sup>147</sup> World Bank (2017)

<sup>148</sup> MoEC and MoRA (2016/2017) – administrative data on PIP beneficiaries of 6–21 years combined with numbers of population of 6–21 years.

<sup>149</sup> Administrative data from Ministry of Education (2016/2017); assuming perfect targeting (no exclusion errors)

<sup>150</sup> UDB (2015)

<sup>151</sup> Sakernas (2016)

<sup>152</sup> Ibid

## Working-age people (19–59 years)

**The three main contributory programs (JKK, JKM and JHT) are available predominantly to people in the formal sector (wage-earning workers) which leaves most people working in the informal sector (non wage-earning workers) without protection.** Only around 20 per cent of the labour force – and 15 per cent of those of working age – belong to a contributory employment scheme. The Social Security Agency for Employment aims to cover 100 per cent of the formal sector and 10 per cent of the informal sector by 2019, corresponding to a total of 57.9 million members. Even if they achieve this, around 58 per cent of the working-age population would still be without any support in case of injury, disability and retirement. Almost all of the working-age population in the lowest 40 per cent and around 66 per cent of the entire working-age population have benefitted from JKN. The high coverage in the bottom 40 per cent is through beneficiaries' subscriptions being fully paid for by government (PBI), both at the central and local levels, apart from the employers' contributions.

**Most people with disabilities of working age are unable to access support from either contributory or non-contributory schemes.** In 2017, the Social Security Agency for Employment provided disability or work injury benefits to 112,490 people, as shown in Table 4, while a small number of people receive disability benefits through the public service pension system.<sup>153</sup> In 2017, around 47,100 people with disabilities (the initial target was 50,000) within the PKH families received an additional but low benefit.<sup>154</sup> Overall, over 90 per cent of working age people with a severe disability are without direct financial support.

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<sup>153</sup> Prahara (2017)

<sup>154</sup> MoSA (2018)



**Table 4: Coverage of people with disabilities with access to social protection programs for people with disabilities**

Programs	Number of beneficiaries	Percentage of people with disabilities with access to social protection programs for people with disabilities
PKH	47,087	1.24
ASPDB	22,500	0.59
Social Security for Employment programs	112,490	2.95
Taspen/Asabri	NA	
<b>Total</b>	<b>182,077</b>	<b>4.78</b>

Notes: The number of people with disability is simulated using SUPAS 2015 data, with a total of 3,810,094 people with disabilities. Using this data, we can derive the distribution of disabled individuals across age group and province and apply this to SUSENAS (2017).

Source: Bappenas (2016 and 2017) for ASPDB and PKH beneficiaries and Social Security Agency for Employment (2017)

### The elderly (60 plus years)

**Currently Indonesia has about 23.4 million people aged 60 years and above (equivalent to 9 per cent of the total population) with most of them living in the rural areas and women over 60 comprises approximately 52.5 per cent of the total elderly population.**<sup>155</sup>

Only the civil servant pension scheme covers people over 60, benefitting around 13 per cent of people in this age group (see Table 5). This leaves 87 per cent of people over 60 in Indonesia without any income support in their old age, lagging well behind other middle-income countries.

**Since the elderly pension (JP) managed by the Social Security Agency for Employment was only set up in 2014, the members have not yet paid sufficient contributions to receive a pension.** As noted, the earliest that they will receive a pension benefit is by around 2033 and coverage will be minimal, meaning that the elderly will not be provided

<sup>155</sup> Susenas (2017)

for in old age between now and 2033. Insurance schemes such as JHT and JP must be expanded, particularly to the informal sector, to ensure adequate income security for the elderly. However, those without the capacity to contribute will continue to miss out and this will disproportionately impact on women and people with disabilities. Therefore, both non-contributory and contributory pensions are critical for ensuring comprehensive old-age income security. The plan to expand coverage means that future generations of elderly people will be better covered. Nevertheless, even if the elderly pension scheme succeeds, most older people, particularly older women, will still be without a pension.

**Table 5: Coverage of population aged 60 and above with access to social protection programs for the elderly**

Program	Number of contributing members (BPJS and Taspen-Asabri) and number of social assistance beneficiaries (ASLUT and PKH)	Percentage of people aged 60 and above with access to social protection programs for the elderly
JHT and JP managed by Social Security Agency for Employment	249 (2015)	0.001%
Pension for civil servants managed by PT Taspen	2,500,000 (2017)	11.13%
Pension for military/police managed by PT Asabri	360,000 (2016)	1.5%
ASLUT	30,000	0.13% <sup>156</sup>
PKH	150,000	0.64%
<b>Total</b>	<b>3,040,249</b>	<b>13.4%</b>

Source: Social Security Agency for Employment (2015), PT Taspen (2017) and PT Asabri (2016), ASLUT (2017) Susenas (2017)

**Furthermore, all of the elderly within the bottom 40 per cent of the population and around 84 per cent of the entire elderly population are currently able to access JKN, the national health system.** The high coverage of JKN among the poor is explained by the fact that the government fully subsidises JKN 'class 3' premiums for those in the poorest 40 per cent of the population through the JKN-PBI scheme. Since the elderly are more prone to illness and in need of health care services, they are more likely to register for JKN than the other age groups.

<sup>156</sup> World Bank (2012c) attempted to estimate the coverage rate of ASLUT against its specific target group and found an average coverage rate of 1.4 per cent. However, the analysis also found large regional variations, with South Kalimantan and North Maluku having coverage rates exceeding 15 per cent.

### Box 7: Local government innovations to address gaps in the national social protection system

Given the coverage gaps and targeting inaccuracies of social protection schemes at the national level, local governments are increasingly developing inclusive social protection programs designed around life-cycle vulnerabilities.

For example, the provincial government of Papua is implementing *Bangun Generasi dan Keluarga Papua Sejahtera* (BANGGA Papua), a child grant of IDR200,000 a month for all indigenous Papuan children under the age of four. The program is being piloted in the districts of Asmat, Lanny Jaya and Paniai, with plans to scale up to all districts in the province by 2021. BANGGA Papua's information management system contains vital data on nearly all children within these districts and has been used to strengthen Papua's civil registration database. BANGGA Papua reaches 23,000 children, with 100 per cent of them have been issued with national identification numbers as a result of the program.<sup>157</sup>

In Aceh province, the district of Aceh Jaya has been providing all elderly above the age of 70 with IDR 200,000 a month for the past four years (Program ASLURETI). An evaluation of the program has shown that the beneficiaries spend their transfers on accessing health services, buying food and other necessities for themselves, and investing in small productive activities.<sup>157</sup> The scheme has not only benefitted the elderly but, according to caregivers, it has given them the 'breathing space' to reallocate resources to other household priorities (namely children's education).<sup>159</sup> Recently, DKI Jakarta has also introduced an old age grant (*Kartu Lansia Jakarta*), providing 14,520 people above the age of 60 with IDR600,000 a month.

In the district of Sabang in Aceh province, all school-aged children receive Sabang education grants (*Bantuan Pendidikan Kota Sabang*) of IDR2,000,000 annually to help offset school expenses. Funds are used to purchase school uniforms and books and pay for other school-related expenses, and it has reduced the inequality between children within the classroom.<sup>160</sup>

Numerous districts are also 'topping up' JKN-PBI to provide more comprehensive access to social health insurance. For instance, the provincial government of Central Java subsidises a higher premium for all JKN-PBI beneficiaries and also added 170,000 beneficiaries to the JKN-PBI list provided by the national government to ensure greater provincial coverage.<sup>161</sup>

Despite local governments' enthusiasm, national regulations can be an obstacle for local social protection innovation as different areas interpret the regulations differently. For instance, regulations state that local governments are prohibited from providing cash transfers to households on an ongoing basis (MoHA Regulation No 32 of 2011), creating sustainability issues for the schemes described above. There are differences in interpretations of this regulation at national and local levels, often deterring local governments from addressing gaps through their own innovative schemes.

<sup>157</sup> MAHKOTA is providing operational technical assistance to the Papuan provincial and district governments to implement BANGGA Papua. This data is derived from BANGGA Papua's management information system.

<sup>158</sup> MAHKOTA (2017)

<sup>159</sup> Ibid

<sup>160</sup> UNICEF and Reality Check Approach (2017)

<sup>161</sup> Based on TNP2K and MAHKOTA consultations with the Central Java provincial government in December 2016







4

THE WAY FORWARD

## 4.1 Rationale

**I**ndonesia strives for an inclusive social protection system offering support to people as they move through their lives, from childhood to old age.

This would address many of the key challenges facing Indonesia and its citizens – particularly stunting in early childhood, low enrolment in secondary level education, disability and old age poverty (see Chapter 2).

**Furthermore, in the future Indonesia needs to move from a social protection system that benefits the poor and a small percentage of the formal sector, towards a system that ensures access to social protection for everyone, including those in the missing middle.** This system needs to be built gradually over time, ensuring the progressive realisation of the right of all citizens to social protection while ensuring the fiscal space for the schemes. Over time, the government will need to offer incentives for people working in the informal sector to join the social security agency schemes if they can afford to and gradually reduce the percentage of the population receiving tax-financed transfers. Progressively, the government should ensure that every citizen is protected, either through a contributory or non-contributory tax-financed scheme. The national social protection system will be underpinned by the principle of contributions from all citizens to society, including through their taxes, and from members of social insurance schemes through their premiums.

**Such a system would generate significant social, economic and political benefits. This would not only reduce poverty and inequality but also enhance children's wellbeing and boost labour productivity, thereby contributing to economic growth.** Furthermore, increasing the investment in an inclusive social protection system can balance the high public spending on infrastructure and other priority sectors, and more effectively redistribute resources back to citizens who have contributed to the economic growth of the country through the course of their lives. This would strengthen the social contract which in turn should generate national cohesion and contribute to a more peaceful and harmonious society.

The strategy recommends that the Indonesian government gradually moves towards progressive inclusion and establishes a comprehensive system of life-cycle based social protection that by 2040 includes the following:

- **Childhood:** An inclusive child benefit system that reaches all vulnerable children (inclusive of those in the missing middle); a graduation incentive that encourages all



vulnerable children, including those in the so-called missing middle, to complete 12 years of basic education ;

- **Working age:** A system of benefits for working-age adults, including significantly increased membership of the Social Security Agency for Employment scheme (for the formal and informal sectors);
- **Old age:** A three-tier social protection system for the elderly that ensures access to income security for all citizens, including a non-contributory elderly grant for those aged 65 and above;
- **Disability:** A disability grant for all children and working-age adults with moderate and severe disability.

Given that poor households spend 65 per cent of their income on food, food assistance to the poorest families should continue to be offered.

**As a starting point to achieving these long-term goals, this strategy sets out proposals for the next five years (from 2020–2024) to align with the upcoming national development medium term plan (RPJMN).** These proposals were derived from the analysis in previous chapters and the gaps in the current social protection system and are seen as a stepping stone to achieving the longer-term goals described above.

Over the period 2020–2024, the strategy proposes the following reforms (detailed descriptions are provided in the relevant sections of this chapter):

- **Childhood:** Integrate PIP and PKH into a child benefit scheme. The child benefit should be offered to all pregnant mothers and school-aged children, with a benefit of IDR200,000 per child per month (for a maximum of three children per family). Furthermore, a graduation incentive scheme should be introduced to encourage all school-aged children to continue to attend school and complete secondary school.
- **Working age:** Revise existing regulations so that all workers, including those in the informal sector, have the flexibility to join insurance schemes based on their needs and priorities. Once this is achieved, the Social Security Agency for Employment should focus on expanding membership, particularly of JHT and JP programs, to ensure that everyone with the capacity to contribute is provided with income security in old age.
- **Old age:** Establish a three-tiered pension model. Tier one should provide a non-contributory elderly grant of IDR300,000 a month for all Indonesians aged 70 and above who have no other pension. This scheme should be separated from PKH and managed

as an independent scheme. Tier two should provide the old-age savings with disability benefit (JHT) and the elderly pension (JP), as well as the civil service and military pensions which would benefit members of these schemes who have made sufficient contributions. Tier three would provide private and employment-based pensions for a relatively small proportion of the population who earn higher incomes and can afford the contributions.

- **Disability:** A disability grant of IDR300,000 will be offered to all children and adults with a severe disability. This program should be separated from PKH and managed independently.

Maintaining food security is a priority and people need access to nutritious foods, such as eggs, to reduce malnutrition and stunting so the food assistance program, **BPNT, should continue as a food voucher scheme for the poorest 25 per cent of the population.**

**In addition, the government should continue to aim for universal health coverage** by providing fully subsidised premiums for the poorest 40 per cent of households and encouraging the remaining population to contribute to JKN.

**Sufficient budget should also be set aside for responding to natural disasters and economic shocks** (see section 4.6 for a detailed description and 4.5 for budget projections over the next five years).

## 4.2 Proposed social protection programs for 2020–2024

### 4.2.1 Children

**From 2020, the proposal is to integrate the PKH and PIP programs and reform the integrated PKH program into a child grant (see Tables 6 and 7).** This reformed PKH program, if implemented, would increase coverage to approximately 28 million children or 15 million families.<sup>162</sup> It would also significantly increase the benefit level from IDR1.89 million per family per year to a range of IDR2.4 million to IDR7.2 million per family per year. This would equate to around 23 per cent of average household expenditure which is similar to what other child benefits are providing globally.<sup>163</sup> The increased coverage and

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<sup>162</sup> All estimates in this chapter are based on calculations using Susenas (2017) where the main unit of analysis is the household and not necessarily the family. No estimates are available of the average number of families per household.

<sup>163</sup> Benefit as a percentage of household expenditure calculated using Susenas (2017); Brazil's Bolsa Familia and Mexico's Prospera account for about 19 per cent and 22 per cent respectively of household monthly expenditure (World Bank, 2017).

benefit levels would more effectively address the risks and challenges that children face (as previously identified in Chapter 3) and better promote human capital development. As children start school, the scheme would be better suited to covering school-related costs and contributing to improved diets. In the long term, it is envisioned that the scheme will contribute to the productivity of the future labour force.

**Table 6: Overview of the proposed child grant (2020–2024)**

Program	Target group	Benefit size
Child grant	Pregnant mothers and school-aged children (as per the existing PKH target group)	IDR200,000 per child per month (up to 3 children)

**Table 7: Proposed coverage of the reformed child grant (2020–2024)**

Program	2020	2021	2022	2023	2024
Child grant	28,390,000	28,314,000	28,266,000	28,238,000	28,202,000

It is also suggested that from 2020 a graduation incentive scheme is introduced to encourage all children to continue at school and complete their secondary level schooling. Given the government's commitment to ensuring that all children complete their basic 12 years of education, this scheme will incentivise families to enrol their children in secondary school and minimise the high drop-out rate between primary and secondary schools (see Tables 8 and 9).

**Table 8: Overview of the graduation incentive (2020–2024)**

Program	Target group	Benefit size
Graduation incentive	Students graduating from grade 7, grade 10 and senior secondary school	IIDR750,000 – grade 7 IDR1,000,000 – grade 10 IDR3,000,000 – senior secondary

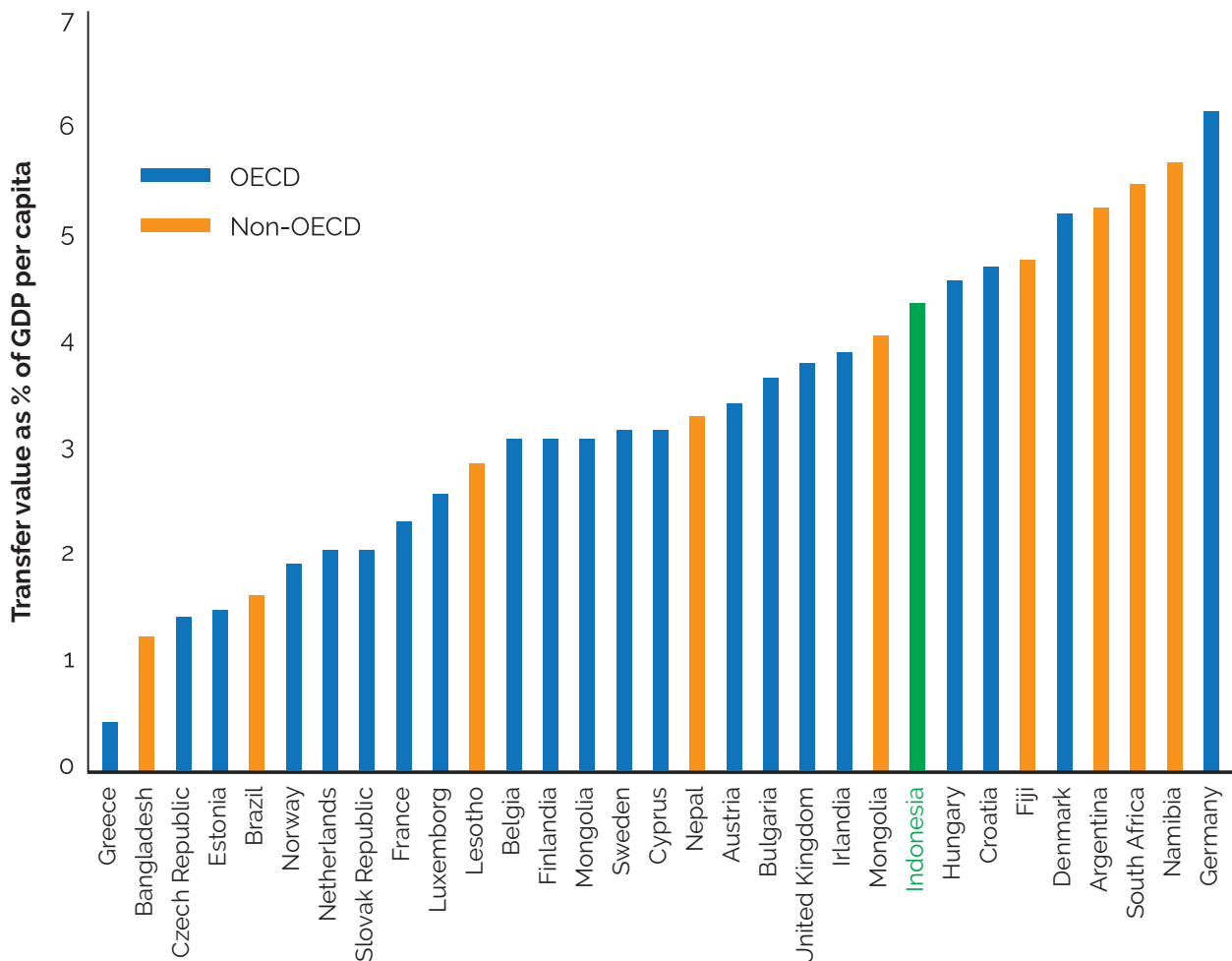
**Table 9: Proposed coverage of the graduation incentive (2020–2024)**

Program	2020	2021	2022	2023	2024
Graduation incentive	2,734,000	2,771,000	2,808,000	2,852,000	2,908,000

## Integrating PIP and PKH

PKH and PIP have more or less the same target group of families among school-aged children and it would be more efficient to offer this benefit from a single source. As mentioned, in 2020 government should therefore consider integrating these two schemes and offering each child IDR200,000 per month for a maximum of three children in the family (up to IDR600,000 per month per family, depending on the number of children).<sup>164</sup> The value of the child benefit would be approximately equivalent to just over 4 per cent of GDP per capita in 2020. This is similar to the value of transfer offered by many child benefit schemes in other countries, including in Mongolia and South Africa (see Figure 44).

**Figure 44: Value of Indonesia's proposed child benefit, compared to similar schemes in selected countries worldwide, as a percentage of per capita gross domestic product**



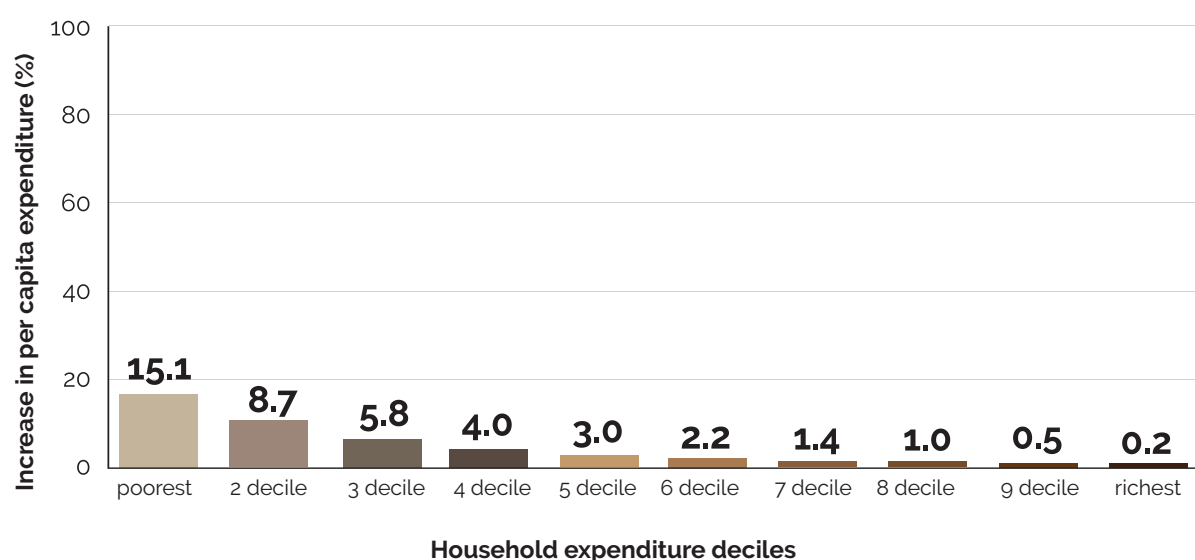
OECD = Organisation for Economic Co-operation and Development  
Source: Compiled from different sources

<sup>164</sup> As a point of clarification, all transfer values are provided in 2018 equivalent values.

Modelling suggests that the impact of these schemes could reduce the poverty rate among households with children by 31 per cent and the poverty gap by 37 per cent (compared to 7 per cent and 13 per cent for the current PKH and PIP benefit levels). This would have an impact on the national poverty rate and poverty gap which could also potentially reduce to 28 and 34 per cent respectively (see Annex 2 for simulations of poverty impacts).

Consumption levels for the poorest decile of families could also be increased by 15 per cent more due to the program, as shown in Figure 45, and it will have some impact on the wellbeing of middle-income families (those between the 5th and 8th income deciles) whose consumption will rise between 1 and 2.6 per cent.

**Figure 45: Projected increase in consumption among households with children across the welfare distribution due to the child grant of IDR200,000 per child per month**



Source: Analysis calculated by TNP2K-MAHKOTA (2017)

## Graduation incentive

As PIP will be integrated with PKH, the PIP function as an incentive for children to enrol in school will merge with PKH in 2020. To provide support for children and motivate families (and students) to further their junior and senior secondary education, a graduation incentive program should be introduced.

**Indonesia's primary school net enrolment rates are relatively high with an 87 per cent enrolment rate among children from the poorest households.** However, the enrolment rates for junior secondary and senior secondary school among the poorest households drop to just 62 and 38 per cent respectively showing that measures will still need to be taken to encourage children to remain in school, particularly at the points when they are most likely to drop out.<sup>165</sup>

To address this challenge, an innovative program providing children with a lump-sum payment if they enrol in grade seven and in grade ten is proposed. Students would receive a further graduation incentive payment if they graduate from senior secondary school.

The program should begin in 2020 and will initially offer the following sums:

- Entering grade seven: IDR750,000;
- Entering grade ten: IDR1,500,000;
- Graduating from senior secondary school: IDR3,000,000

The program will pay the cash into bank accounts held in the name of the students themselves. Students would only be able to access the cash when they complete senior secondary school but it would be their own cash to use as they wish, thus creating a strong personal incentive to stay in school. In designing the details of the program, it is advisable for the implementing ministry to ensure that the banks agree to a good interest rate so that the program is regarded as an effective investment. The incentive program will ensure that students have the funds to support themselves as they enter further education. Also, young people will be introduced to the financial services sector by having their own bank accounts.

**In 2020, around 2.7 million students are expected to benefit from this scheme (1.6 million entering grade seven, 928 thousands entering grade ten and 643 thousands graduating from senior secondary school).** The government would need to assess the scheme on a year by year basis and change the value of the transfer annually, as appropriate.<sup>166</sup>

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<sup>165</sup> The net enrolment rate of the official age-group for a given level of education expressed as a percentage of the corresponding population. To calculate the net enrolment rate in primary, junior secondary and senior secondary school of poor and at-risk children, the formula used is as follows: total number of primary/junior secondary/senior secondary students of 7–12 yrs old/13–15 yrs old/16–18 yrs old divided by the number of people in that age group based on the 2015 age group figures in the UDB.

<sup>166</sup> In the estimates of costs for the strategy, we assumed that the values of the transfer will rise in line with inflation.



## 4.2.2 Working-age population

For the next five years, the main focus of the national social protection system among the working age population should be to encourage their participation in the employment insurance programs managed by the Social Security Agency for Employment, especially JHT and JP. Given that two-thirds of working-age people are employed in the informal economy as non-wage earners, it is critical to find different mechanisms for expanding their membership. A critical step in doing this is to revise the existing regulations which describe the rules of membership for the employment insurance programs so that non-wage recipient workers have the freedom to contribute to any of the four employment insurance programs. Once this is achieved, the Social Security Agency for Employment can consider incentive programs to motivate non-wage recipient workers who have savings capacity to invest in either old-age savings (JHT) or the pension fund (JP).

### Expanding the membership of employment insurance

As discussed in section 3.3, current regulations state that non-wage recipient workers must contribute to accident and survivors' insurance schemes (JKK and JKM) before they can contribute to JHT. Furthermore, only formal-sector wage-earners are allowed to contribute to the elderly pension. Given their irregular income flows and low savings capacity, it is important that informal workers have the freedom to contribute to schemes of their choice and that mandatory membership of the JKK and JKM schemes does not pose a barrier to old-age savings. Therefore, over the next five years it is recommended that the Presidential regulation No 109 of 2013 and Ministry of Labour regulation No 1 of 2016<sup>167</sup> are revised so that non-wage recipient workers can join any scheme of their choice, including JHT and JP, without any barriers or pre-conditions.

**Innovative strategies are needed to incentivise non-wage earners with savings capacity to join employment insurance schemes under the Social Security Agency for Employment, especially the old age savings with disability benefit (JHT) and the elderly pension (JP) schemes.**

For those in the informal sector who have savings capacity and can afford contributions, it is proposed to increase the short-term attractiveness of national insurance schemes,

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<sup>167</sup> Presidential regulation No 109 of 2013 on staging the Social Security Agency for Employment memberships and Ministry of Labour Regulation No 1 of 2016 on the JKK, JKM and JHT implementation for the non-wage workers

particularly JHT and the elderly pension.<sup>168</sup> Strategies such as matching defined contribution (MDC) schemes where the government deposits contributions into the accounts of individual contributors, can provide a tangible incentive for individuals to participate in pension funds. These schemes are starting to address the pension fund coverage gap in many high and middle income countries and have managed to partially address the issue although there is limited evidence of the impact of such schemes in developing countries.<sup>169</sup> Further analysis is required to assess the applicability of matching defined contribution schemes in the Indonesian context, as well as to define the optimal matching contribution rate that could be applied.<sup>170</sup>

Beyond this, the Social Security Agency for Employment has been implementing other strategies to incentivise membership, such as above market interest rates for JHT contributors (approximately 2 per cent higher than rates offered by the commercial banks, depending on market conditions) and flexible JHT partial withdrawals to help cope with the loss of earnings or an unforeseen emergency.<sup>171</sup> While such strategies could incentivise vulnerable workers to register for an insurance scheme and provide assurance that their contribution will not be tied away, stronger marketing, registration and collection services are needed – particularly in rural areas where most informal workers reside but have little knowledge of the benefits of these incentives.<sup>172</sup>

Additionally, other members of the working-age population would benefit directly and indirectly from the schemes offered to individuals at other stages in their lives. Working-age people with children would benefit directly from the reformed PKH program. Similarly, once the elderly grant is in place, working-age people would not have to support their elderly parents which means they can invest more in their own children and in other productive activities (see section 4.3).

#### 4.2.3. Disability among children and adults of working age

**People with disabilities, especially children with disabilities, are among the most vulnerable citizens in Indonesia and government's priority is to ensure that they have**

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<sup>168</sup> World Bank (2013)

<sup>169</sup> Australia, New Zealand, USA, Japan, Germany, China and India are implementing matching defined contribution schemes (World Bank, 2013)

<sup>170</sup> In India, for example, the government contributes INR1,000 (equivalent to IDR209,000) annually for every INR1,000-12,000 that the individual contributes annually.

<sup>171</sup> Wage recipient workers can withdraw JHT funds if they are no longer earning a wage and non-wage recipient workers can withdraw after three months of membership, however, they need to wait for six months after the withdrawal to re-join the JHT, if they want to do so.

<sup>172</sup> ILO (2016)

**the best start in life to enhance their chances of living fully productive and satisfying lives.** As section 2.3 explained, having a child with a disability can place a significant financial burden on families and parents may even have to leave the labour force to care for their child if the disability is severe.

**As a means of compensating families for the additional costs they incur and giving disabled children and individuals more equal opportunities, the government should offer extra financial support to families with severely disabled members, particularly children (see Tables 10 and 11).** In 2020 children and working-age adults who have severe disability should receive a disability benefit. Initially, the program can expect to cover over 860,000 children with severe disabilities (1 per cent of all children) and 1,596,000 working-age adults with severe disabilities (1 per cent of working-age adults).<sup>173</sup>

**The proposed disability benefit should initially be set at IDR300,000 per individual per month – the same value as the elderly grant.** This is in line with best practice internationally – for example, South Africa set its disability and elderly grants at the same levels (approximately AUD144 per month). However, the costs and impacts of setting the benefit at IDR200,000 and IDR400,000 per month have also been analysed. It is important that the grant provide a minimum level of income replacement, given that many caregivers of severely disabled children are obliged to leave the labour market.

**Table 10: Overview of non-contributory schemes for people with disabilities (2020–2024)**

Program	Target group	Benefit size
<b>Non-contributory severe disability grant</b>	All children and adults with a severe disability	IDR300,000 per individual per month

**Table 11: Coverage of people with disabilities in proposed programs (2020–2024)**

Program	2020	2021	2022	2023	2024
<b>Child disability benefit</b>	860,000	858,000	857,000	856,000	855,000
<b>Adult disability benefit</b>	1,596,000	1,618,000	1,639,000	1,659,000	1,679,000

<sup>173</sup> Based on simulations using data on disability from SUPAS (2015)

The disability benefit would reduce the poverty rate across households with a member with a severe disability by 44 per cent and the poverty gap by 53 per cent. More importantly, a disability grant would: compensate people with disability for the additional costs they incur in accessing schools, healthcare facilities and employment; provide a minimum standard of living for those who are unable to work or are forced to work reduced hours; and instil a sense of dignity among people with disabilities by allowing them some financial independence.

### **Box 8: Severe disability: what is it and what are the means of determining beneficiary eligibility?**

People with disabilities experience physical, mental, intellectual or sensory impairments. Yet, as the Convention on the Rights of Persons with Disabilities points out, it is the interaction of these impairments with barriers created by society that causes disability. Many people with disabilities experience difficulty in carrying out basic daily activities and those with severe disability may experience functional limitations that hinder their ability to work (or restrict them in how much they can work) and cause them to incur significant additional costs as a result of their disability (for example, in accessing transport, healthcare and support services). As the Indonesian government builds its social protection system for people with disabilities, it should initially prioritise those facing the most severe functional limitations and therefore facing the highest disability-related additional costs.

Ideally, to assess eligibility for the disability benefits, government would establish a mechanism to determine the functional capacity of individuals through a cadre of highly trained assessors across Indonesia. Currently, through the use of facilitators and a network of grassroots organisations (also known as disabled people's organisations), the Ministry of Social Affairs is collecting data on people with disabilities and populating the newly-developed national disability database. Over time, this system could be strengthened and leveraged to identify those eligible for a severe disability grant.

At this stage in the development of a disability benefit system, a medical classification mechanism is one proposed option, with medical officers assessing the level of impairment. The government could use international experience to develop the mechanism – most countries have historically used a medical assessment model and this model is still found in many low- and middle-income countries, such as South Africa, Uzbekistan, Zambia and Rwanda. Government would need to determine what would be considered 'severe disability' for each type of impairment.

If, however, it is not possible to use a medical assessment, the government can also consider building on the experience with community-based assessment mechanisms, as found in Nepal, Vietnam and, previously, in South Africa.

#### 4.2.4. Old age

**The lack of provision of old age pensions, except for civil servants, is a significant gap in the national social protection system.** Indonesia is becoming an ageing society and older people have the highest levels of poverty. It is important to invest in income security for older people in order to effectively reduce national poverty levels.

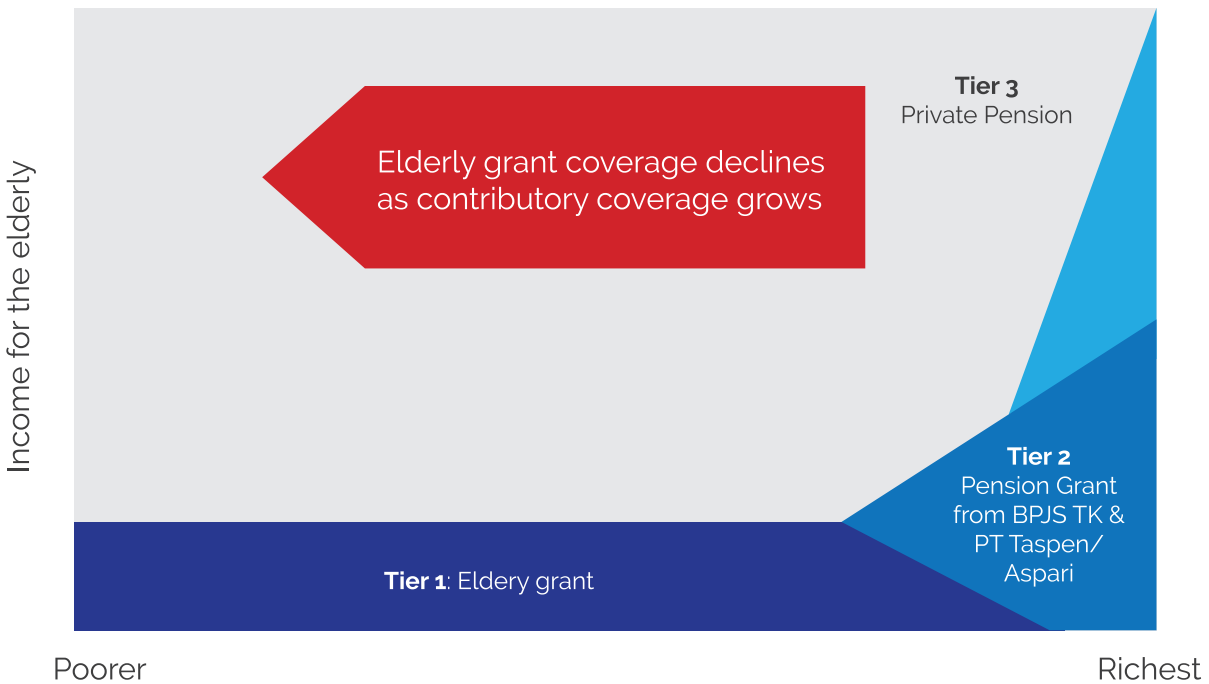
**Therefore, the strategy recommends building a three-tiered pension system** (see Figure 46):

- **The first tier** would be a non-contributory elderly grant offered to all Indonesians who have no other pension, recognising their contributions to the nation throughout their lives, including through the taxes<sup>174</sup> they have paid.
- **The second tier** would be the old age savings with disability benefit (JHT) and the elderly pension (JP) managed by the Social Security Agency for Employment and the civil service and military pensions (managed by PT Taspen and PT Asabri) that benefit members of these schemes who have made sufficient contributions. If the proposals for the working age are implemented, the elderly grant coverage will reduce as more workers join the contributory system.
- **The third tier** would be private and employment-based pensions for a small proportion of the population who earn higher incomes and can afford the contributions. These private pension funds are supervised by the Financial Services Authority.

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<sup>174</sup> This is inclusive of sales tax and other forms of tax.

**Figure 46: Indonesia's future three-tiered social protection for the elderly**



Source: TNP2K-Mahkota 2018

If the government introduces the first-tier elderly grant program in 2020, it would initially be for people aged 70 years and above who have no other pension and also for those whose contributory pensions are low (see Tables 12 and 13).

**Table 12: Overview of non-contributory schemes for the elderly (2020–2024)**

Program	Target group	Benefit size
<b>Non-contributory elderly grant</b>	Those above the age of 70 who are not benefitting from a contributory pension	IDR300,000 per individual per month

**Table 13: Coverage of the elderly in proposed programs (2020–2024)**

Program	2020	2021	2022	2023	2024
<b>Elderly grant (70+)</b>	8,011,000	8,155,000	8,281,000	8,399,000	8,525,000



**The introduction of an elderly grant would need to be carefully considered alongside reforms to the employment insurance scheme to ensure the two are designed to be complementary and that private contributions are incentivised.** For example, the elderly grant would be pension tested, gradually tapering off for higher earners in line with the value of their second-tier contributory pensions. For every five rupiah of contributory pension they receive, for example, the elderly grant could be reduced by one rupiah.<sup>175</sup> This would maintain the incentive to contribute to the social insurance system and reinforce current efforts to expand it. Over time, the budget for the elderly grant (tier one) would decline as more Indonesians<sup>176</sup> benefit from the contributory pension (tier two) and the coverage of the scheme expands. The elderly grant and contributory pensions together would guarantee that every elderly person in Indonesia will have protection and income security in their old age. A pilot of the scheme in a few selected districts is recommended to test the design mechanisms and delivery systems ahead of national roll-out. However, the tier two elderly pension scheme will not be able to pay adequate old-age benefits until at least 2040.<sup>177</sup> This means that the elderly grant would play the key role in ensuring universal old age pension coverage for some time to come.

The proposed value of the elderly grants is IDR300,000 per month in 2018 values (although comparative results for transfers of IDR200,000 and IDR400,000 per month are also given). This is equivalent to 6 per cent of GDP per capita which is low in comparison with other low- and middle-income countries that invest on average around 15 per cent of GDP per capita on universal coverage minimum pensions (see Figure 47). An indexing mechanism would ensure that the value of the elderly grant increases each year, at least in line with inflation. Every five years, the government should assess whether to increase the real value of the grant, in terms of its purchasing power.

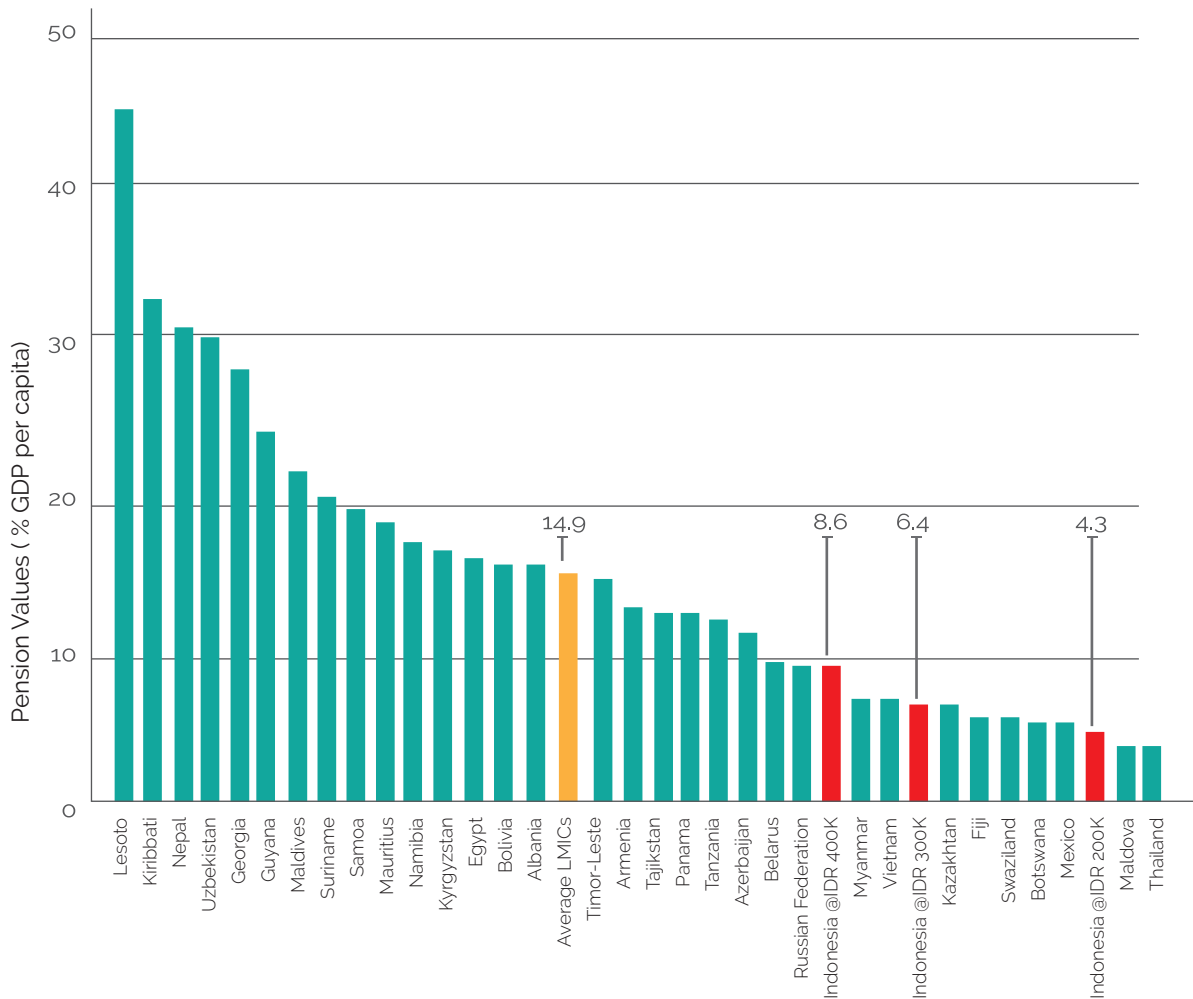
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<sup>175</sup> Further actuarial analysis is needed to determine the tapering rate

<sup>176</sup> At the moment, wage-earners can contribute and benefit from the JHT and the JP. However, non-wage earners can contribute and benefit from JHT but not the JP (Social Security Agency for Employment, 2017)

<sup>177</sup> Given that it is a new program, participants will not be eligible to withdraw their contributions until at least 2040.

**Figure 47: Value of elderly grant options relative to universal coverage pensions in selected low- and middle-income countries, 2018**



LMIC = low- and middle-income countries

**Notes:**

- The average includes low- and middle-income countries that provide a universal or pensions-tested social pension
- Elderly grant values are based on 2018 prices (IMF World Economic Outlook, 2018)

Source: HelpAge International (2018)

By setting the elderly grant at IDR300,000 per month the poverty rate among households that include people aged over 70 years would reduce by 59.4 per cent and the poverty gap would reduce by 72.6 per cent. The national poverty rate would fall from 10.6 per cent<sup>178</sup> to 9.6 per cent. Table 14 shows the range of impacts on poverty that could be expected for all four potential transfer values, with a value of IDR600,000 reducing the poverty rate among households with older persons by almost 85.3 per cent (see Annex 3 for simulations on poverty impacts).

<sup>178</sup> As mentioned in Chapter 1, simulations on poverty impacts were calculated using the 2017 poverty rate.

**Table 14:** Impacts on poverty rates and the poverty gap of different elderly grant options

	Current situation	IDR 200,000	IDR 300,000	IDR 400,000	IDR 600,000
<b>Poverty rate of age cohort</b>	19.3%	10.8%	7.8%	5.7%	2.8%
<i>(percentage reduction)</i>		(44.1%)	(59.4%)	(70.5%)	(85.3%)
<b>National poverty rate</b>	10.6%	9.9%	9.6%	9.4%	9.1%
<i>(percentage reduction)</i>		(7.4%)	(10.0%)	(11.8%)	(14.3%)
<b>Poverty gap of age cohort</b>	3.55	1.47	0.98	0.65	0.29
<i>(percentage reduction)</i>		(58.5%)	(72.6%)	(81.7%)	(91.8%)
<b>National poverty gap</b>	1.83	1.63	1.59	1.56	1.52
<i>(percentage reduction)</i>		(10.5%)	(13.0%)	(14.7%)	(16.5%)

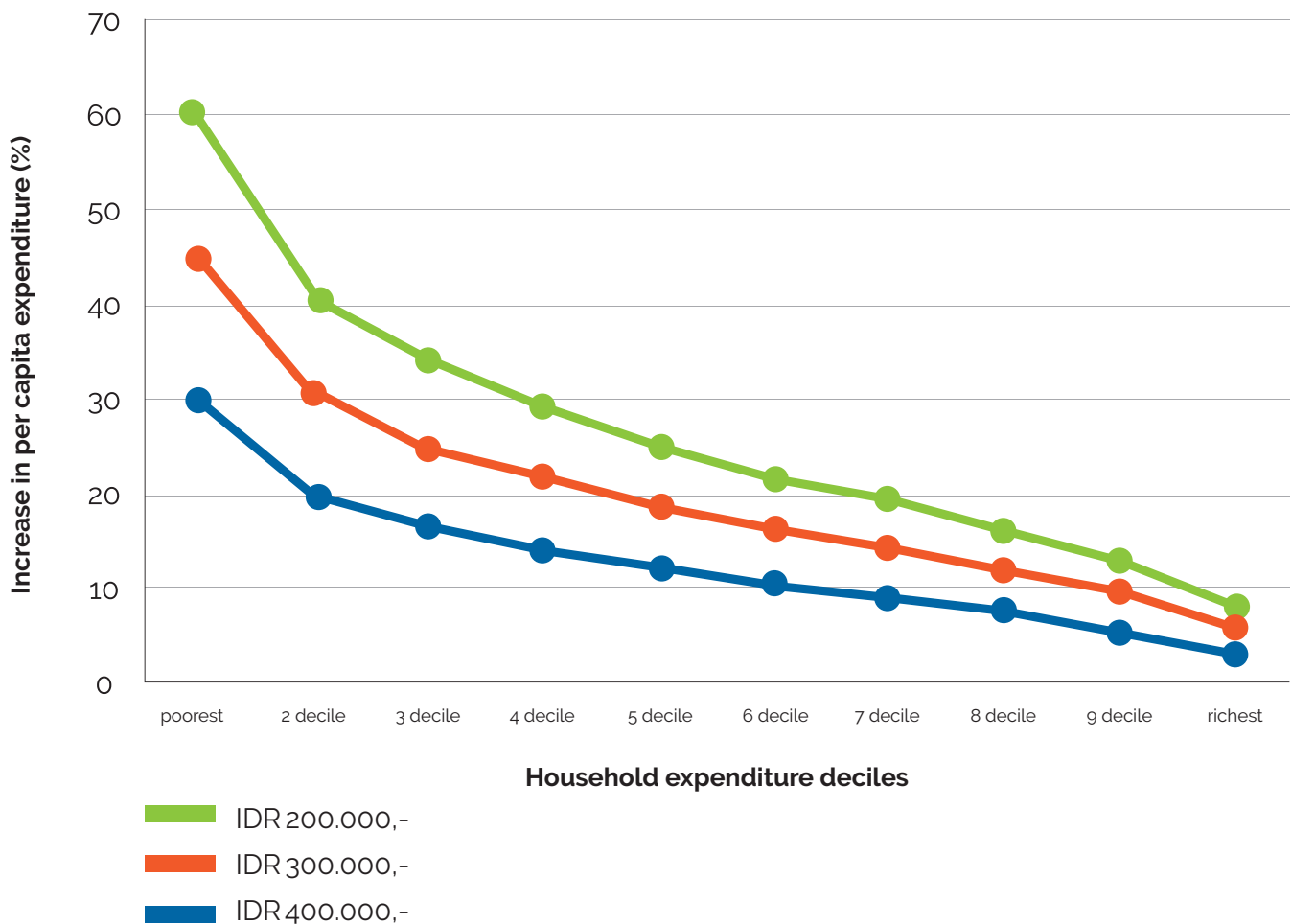
**Notes:**

The microsimulations look at the possible impacts that the programs would have if implemented in 2017 conditions. Coverage of the elderly grant is assumed to be pension-tested – given to all people of eligible age who have either no pension or a low pension.

Source: Susenas (2017)

Furthermore, as Figure 48 indicates, the proposed grant of IDR300,000 could potentially increase per capita household consumption among the poorest decile of households that include older people by 44.4 per cent. It would also have a positive impact on the wellbeing of middle-income households, increasing per capita household consumption by between 9 and 12 per cent. The elderly grant would be more effective set at the higher value of IDR400,000 per month and less effective set at IDR200,000 per month (refer to Figure 48 and see Annex 3 for simulations on poverty impacts).

**Figure 48:** Projected increase in per capita consumption among households that include people of 70 years and above, by welfare decile and different elderly grant options



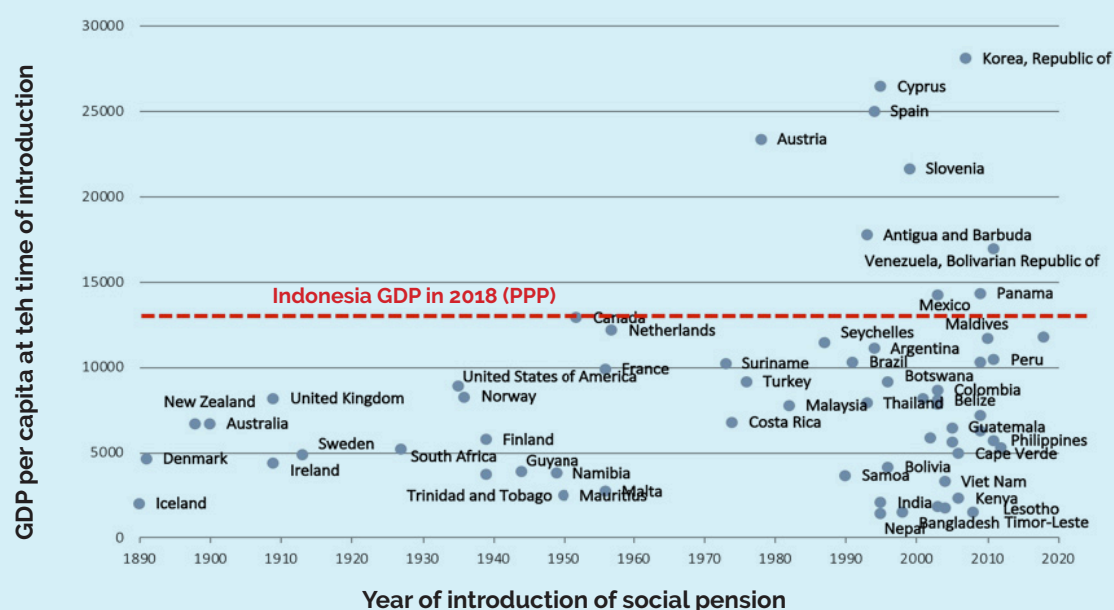
Source: Susenas (2017)

Furthermore, the impacts of the elderly grant would be highly gendered (see section 2.4 on older people). Most recipients would be women, many of whom are single or live alone and have disabilities.

### Box 9: Global evidence of social pension investments

Figure 49 shows the level of development of countries when they introduced social pensions and indicates that most countries introduced these schemes when they were poorer than Indonesia. The experiences of Bolivia, Lesotho, Botswana and Timor-Leste show that inclusive non-contributory social pensions are affordable by low and middle-income countries. Despite being the poorest country in South America, Bolivia spends 1 per cent of GDP on its old-age pension, covering approximately 91 per cent of the population above the age of 60 (ILO, 2018). Given that the population is ageing rapidly across Asia, establishing comprehensive old age pension systems is becoming a critical policy issue. For instance, China recently established universal pension coverage through a hybrid of contributory and non-contributory pension schemes, and in Thailand, their universal old-age allowance serves as the only form of pension for many people working in the informal economy, but the Government also provides a matching contribution under the social insurance scheme to encourage participation in the contributory system (ibid).

**Figure 49: Global increase in social pensions showing wealth of country at time of introduction, selected countries, 1890–2018**



**Source:** Gapminder Data, retrieved from <https://www.gapminder.org/data/documentation/>.

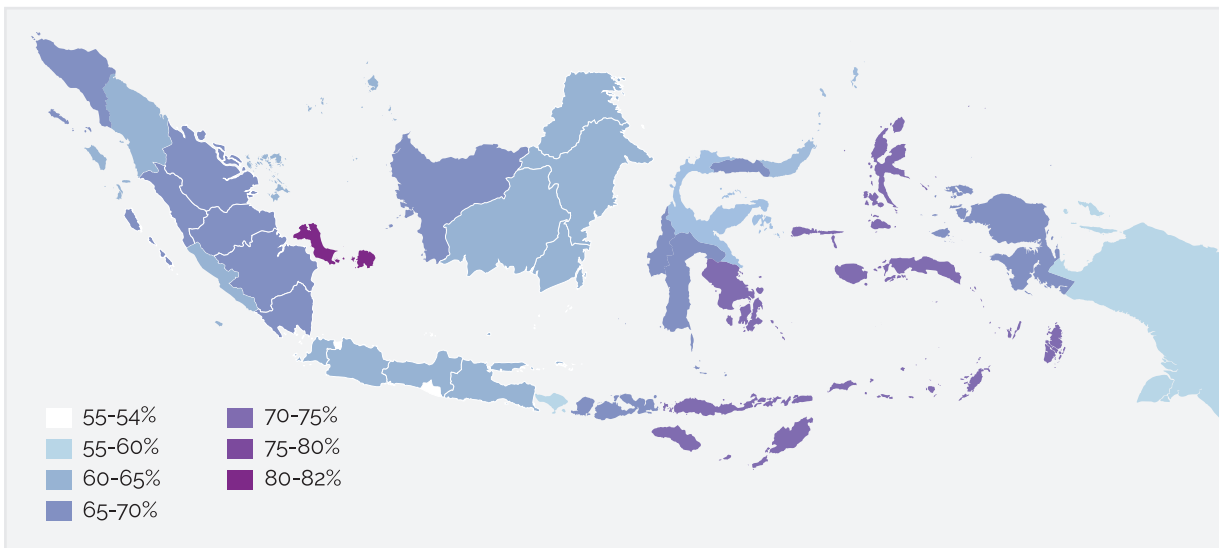
**Note:** Gross Domestic Product per capita by Purchasing Power Parities (in international dollars, fixed 2011 prices).

Aside from being responsible social policy, evidence also shows that when people receive pensions set at an appropriate amount, poverty levels go down significantly, particularly in rural areas where people are generally more likely to fall into poverty in old age (World Bank, 2016). Georgia has the largest social pension scheme in Asia which has reduced the national poverty rate by 29 per cent, and Botswana's social pension has dramatically reduced national poverty from 23 per cent to 6 per cent over a six year period (ILO, 2018).

### 4.3 Using the reformed social protection system to respond to shocks

If the proposed reforms were implemented by 2024, around 30 per cent of households would be able to access at least one social protection benefit. At this point coverage would vary from almost 55 per cent of households in the Special Region of Yogyakarta to 82 per cent of households in Bangka Belitung Islands. In most of the provinces, coverage would lie between 60 and 70 per cent (see figure 50). Annex 4 gives the detailed projected coverage for each province.

**Figure 50: Projected coverage of households by social protection schemes, 2030, by province**



This growing coverage of households would be a starting point for Indonesia to establish a shock-responsive social protection system. If a region of the country is hit by a shock – such as a drought, flood or earthquake – the government would be able to use the national social protection system to immediately send additional financial support to households, although further design work is required to effectively build such a system. Given the increasing frequency of national disasters, there is an increased role for a comprehensive social protection system to respond to large-scale shocks that typically trigger humanitarian aid.<sup>179</sup> The government would be able to reach over 80 per cent of households in some provinces and 64 per cent of households nationally, creating an effective system of first-response assistance.

Such a system would also provide Indonesia with a mechanism to stimulate economic growth during recessions or in periods of flat economic growth. Increasing the value of transfers to recipients, even if just for a short period, would generate greater demand and consumption and boost the economy. This is not new to Indonesia, as the former unconditional cash transfer program, Bantuan Langsung Sementara Masyarakat (BLSM), introduced during the fuel price hike in 2013, was used to boost consumption and maintain economic stability. Generating greater demand is a common tool that countries use to increase economic growth, particularly during recessions.

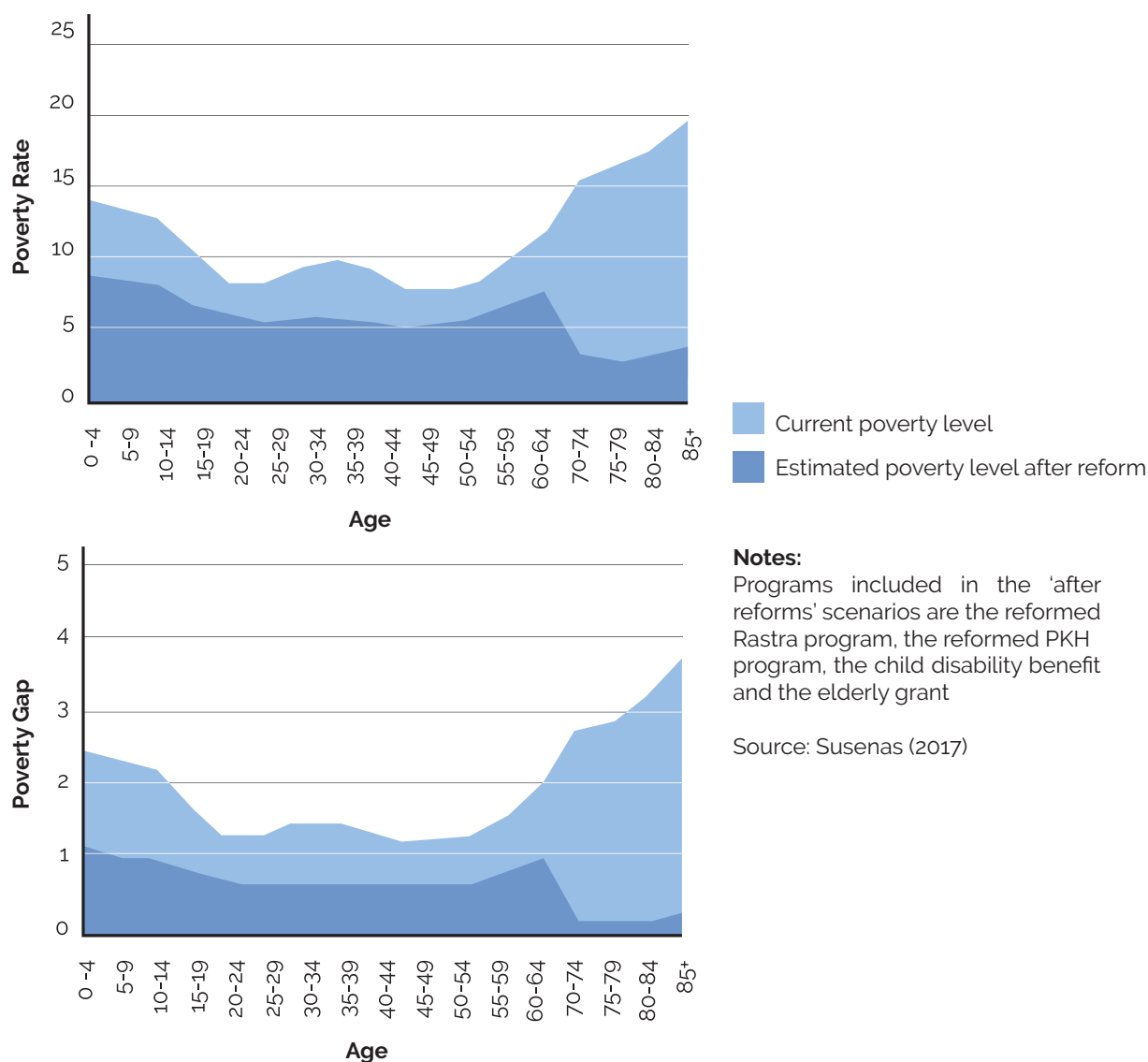
<sup>179</sup> O'Brien and Scott *et al.* (2018)



#### 4.4 Overall impacts of proposed programs<sup>180</sup>

In addition to providing comprehensive social protection for various lifelong risks, the combination of the child grant and graduation incentive, the disability grant and the elderly grant would contribute to a significant reduction in the national poverty rate. If the combination of all proposed schemes were implemented, the national poverty rate could potentially fall from 10.64 per cent to 6.18 per cent and the national poverty gap would fall by 49.6 per cent. These reductions would affect all age groups, although the impact would be greatest on older people (see Figure 51). Poverty rates among older people after the reforms should be below 4 per cent.

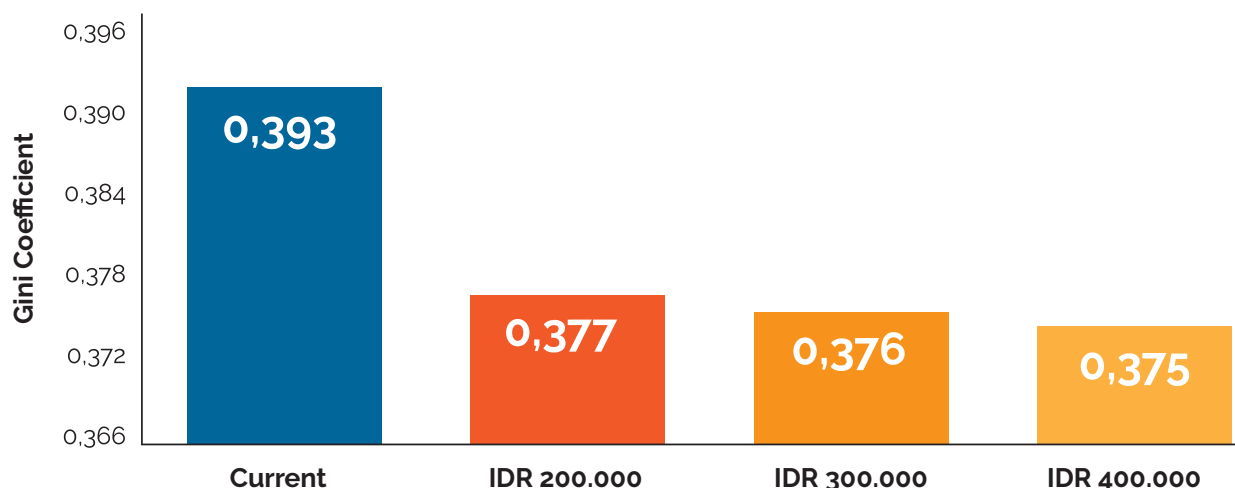
**Figure 51: Potential impacts of the reforms to the national social protection system on poverty rate and poverty gap across age groups, using the proposed values, 2020–2024**



<sup>180</sup> All poverty impacts were simulated based on 2017 poverty rates

**Inequality is also expected to fall once reforms to the national social protection schemes are implemented in 2020.** Using the proposed transfer values, it is estimated that the Gini coefficient would decrease by approximately 4 per cent if reforms were to be implemented under 2017 conditions (see Figure 52).

**Figure 52: Potential impacts of the 2020–2024 social protection system reforms on inequality levels, using different benefit options<sup>181</sup>**



**Notes:**

The different grant options are for the child disability benefit and the elderly grant. The current Gini coefficient is for March 2017

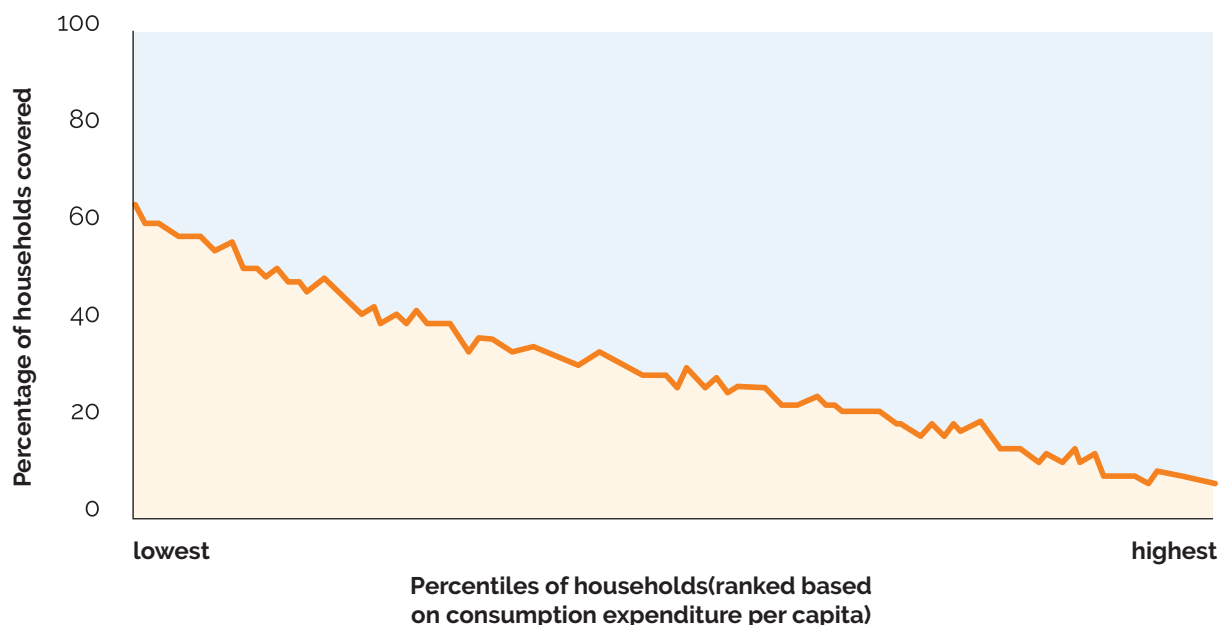
Source: Susenas (2017)

#### 4.4.1 Coverage of the reformed national social protection system

As discussed in section 4.3, the implementation of the proposed reforms would mean that the coverage of the national social protection system would increase significantly, with around 32 per cent of all households nationally benefitting from at least one non-contributory social protection scheme, without counting the Rastra program. Coverage of households in the lowest two deciles would be higher, with over 55 per cent receiving at least one program. Many middle-income households within the 5th to 8th income deciles would also benefit from at least one program while coverage would decrease for richer households. Nevertheless, coverage should be almost universal among those aged 70 years and above and those living with severe disabilities. Figure 53 shows the potential coverage across the wealth distribution.

<sup>181</sup> Estimates are based on micro-simulations using Susenas 2017. The different grant options are for the child disability benefit and the elderly grant. The current Gini coefficient is for March 2017.

**Figure 53: Proposed coverage of the national non-contributory social protection system – for schemes offering income support – across the wealth distribution, 2024<sup>182</sup>**



**Notes:**

Coverage is based on households with at least one member receiving one program.

Source: Susenas (2017)

#### 4.5 Levels of investment required for the 2020–2024 reforms

The projected levels of investment required for the reforms to the national social protection system each year for the 2020–2024 period are set out in Table 15. It shows the costs using the proposed transfer value of IDR300,000 per month for the disability benefits and elderly grant but also for the alternative transfer values of IDR200,000 and IDR400,000 per month.

<sup>182</sup> Estimates are based on micro-simulations using Susenas 2017. Coverage is based on households with at least member receiving one program.

**Table 15:** Levels of investment required for the 2020–2024 reforms as a percentage of gross domestic product

	Transfer value	2020	2021	2022	2023	2024
<b>Child benefit</b>		0.44%	0.41%	0.39%	0.37%	0.35%
<b>Child disability benefit</b>	IDR200,000	0.01%	0.01%	0.01%	0.01%	0.01%
	IDR300,000	0.02%	0.02%	0.02%	0.02%	0.02%
	IDR400,000	0.03%	0.02%	0.02%	0.02%	0.02%
<b>Adult disability benefit</b>	IDR200,000	0.02%	0.02%	0.02%	0.02%	0.02%
	IDR300,000	0.04%	0.03%	0.03%	0.03%	0.03%
	IDR400,000	0.05%	0.05%	0.04%	0.04%	0.04%
<b>Elderly grant</b>	IDR200,000	0.12%	0.11%	0.11%	0.11%	0.10%
	IDR300,000	0.18%	0.17%	0.16%	0.16%	0.15%
	IDR400,000	0.24%	0.23%	0.22%	0.21%	0.20%
<b>Graduation incentives</b>	IDR750,000					
	IDR1,500,000	0.03%	0.03%	0.02%	0.02%	0.02%
	IDR3,000,000					
<b>Food assistance programs (BPNT)</b>		0.16%	0.15%	0.14%	0.14%	0.13%
<b>Total investment</b>	<b>IDR200,000</b>	<b>0.78%</b>	<b>0.74%</b>	<b>0.70%</b>	<b>0.67%</b>	<b>0.64%</b>
	<b>IDR300,000</b>	<b>0.85%</b>	<b>0.81%</b>	<b>0.77%</b>	<b>0.74%</b>	<b>0.70%</b>
	<b>IDR400,000</b>	<b>0.93%</b>	<b>0.89%</b>	<b>0.85%</b>	<b>0.81%</b>	<b>0.77%</b>

**Notes :**

Administrative costs for targeted programs – food assistance and child benefit – are assumed to be 10 per cent of the transfer costs. For all other programs, administrative costs are assumed to be 5 per cent of the transfer costs.

Source: analysis undertaken by TNPK2 with data from IMF World Economic Outlook and UN DESA World Population Prospects

The current investment in social assistance transfers is 0.35 per cent of GDP and the proposals, if implemented, will require an investment of 0.85 per cent of GDP initially. However, this will decrease to 0.70 per cent of GDP by 2024, assuming that transfers are indexed to inflation.

**Table 16: Cost projection for the reformed social protection programs, in (IDR – trillions)**

Program	2020	2021	2022	2023	2024
Food subsidy	25,700	26,000	26,200	26,500	26,700
Graduation incentives	4,400	4,500	4,500	4,600	4,700
Child benefit (200K per child – maximum of 3 children)	72,000	71,800	71,600	71,600	71,500
Child disability benefit (300K)	3,100	3,100	3,100	3,100	3,100
Adult disability benefit (300K)	5,800	5,900	5,900	6,000	6,100
Old age benefit (70+ and 300K)	29,100	29,600	30,100	30,500	30,900
<b>Total cost projection</b>	<b>140,100</b>	<b>140,900</b>	<b>141,400</b>	<b>142,300</b>	<b>143,000</b>
Disaster response budget allocation*	9,000	9,000	9,000	9,000	9,900

**Notes :**

The disaster response budget is estimated to reach 20 million individuals by providing the impacted individuals with IDR150,00 per month cash benefit for three months

#### 4.5.1 Fiscal space for the proposed 2020–2024 reforms

Indonesia has a number of options in considering its fiscal space for the proposed social protection reforms. Firstly, we are assuming that the International Monetary Fund's predictions of economic growth up to 2024 and tax revenue increasing to 14.4 per cent of GDP are accurate. If government adopted the proposed reforms outlined here, expenditure in areas other than social protection would increase from IDR2,585 trillion to IDR3,667 trillion in 2018 prices by 2024 which is slightly less than it would be with no expanded social protection system. These estimates do not take into account the additional economic growth that could potentially result from the increased investment in social protection.

Another possible alternative to finance the increased investment in social protection is to reallocate existing subsidies (energy and non-energy), currently budgeted at IDR156 trillion (as shown in table 12) or 7 per cent of state expenditure.<sup>183</sup>

**Table 17: Subsidy budget allocation, 2018<sup>184</sup> (IDR – billions)**

Subsidy type	2017 outlook	2018 APBN
<b>Energy subsidy</b>	<b>89,864.0</b>	<b>94,525.1</b>
• BBM and LPG (oil and gas fuel) 3kg	44,488.8	46,865.1
• Electricity	45,375.2	47,660.1
<b>Non-energy subsidy</b>	<b>79,012.8</b>	<b>61,703.8</b>
<b>Total:</b>	<b>168,876.8</b>	<b>156,228.1</b>

<sup>183</sup> State expenditure according to APBN 2018 stands at IDR2.220 trillion

<sup>184</sup> <https://www.kemenkeu.go.id/media/6665/nota-keuangan-apbn-2018-rey.pdf>



Non-energy subsidies	APBN 2017	APBN 2018
• Food	19,787.1	-
• Fertiliser	31,153.4	28,540.0
• Seeds	4,319.7	-
• State-owned enterprises	-	4,430.2
<b>Subsidised credit (from banks)</b>	<b>13,024.4</b>	<b>18,000.6</b>
<b>Tax subsidies</b>	<b>9,436.7</b>	<b>10,768.2</b>
<b>Total:</b>	<b>79,012.8</b>	<b>61,703.0</b>

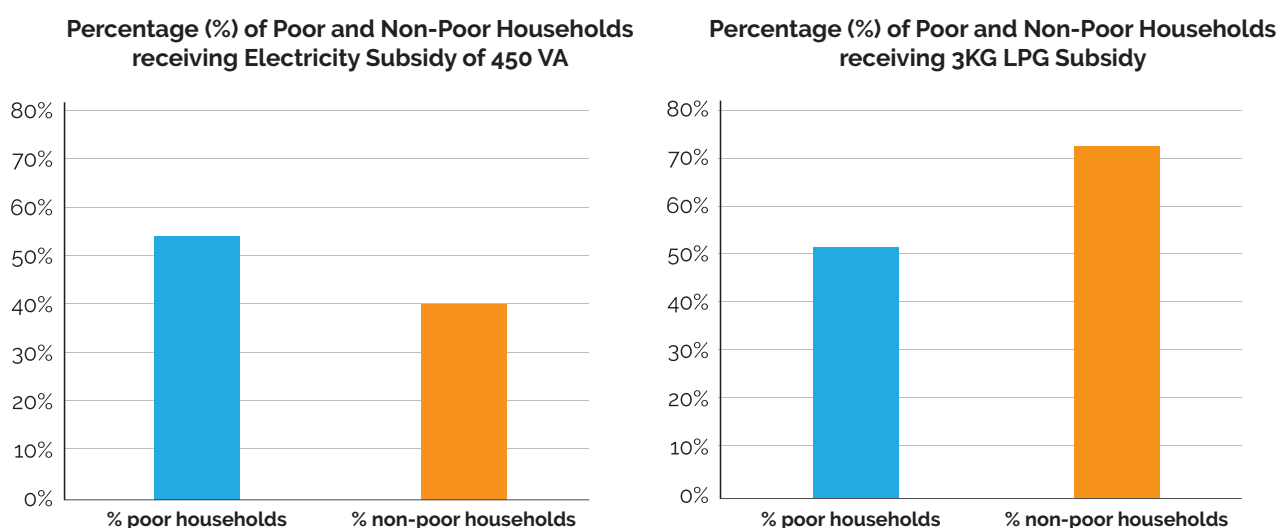
BBM = oil fuel

LPG = liquified petroleum gas

APBN = annual national budget

Although energy subsidies – specifically the 450 volt electricity and 3kg liquified petroleum gas – aim to benefit poor and at-risk households, around 40 per cent of the electricity subsidy and 72 per cent of the gas subsidy are still received by non-poor households (see Figure 54). This indicates a regressive source of spending that could be more effectively allocated towards progressive social protection programs that would benefit most citizens during the most volatile stages across their lives.

**Figure 54: Percentage of poor and non-poor households receiving electricity and liquified petroleum gas subsidies in 2017**



Source: Susenas 2017, calculated by TNP2K (2018)

Lastly, there is considerable room for consolidating several small programs within the government's existing portfolio of cash and in-kind transfer schemes (see Annex 5) which would potentially free up fiscal space to use towards financing a comprehensive social protection system.

#### 4.5.2 Linking national and local social protection schemes

As illustrated in Box 7 in Chapter 3, an increasing number of districts and provinces have been introducing their own social protection schemes. However, there is a danger that this proliferation of programs will reduce cohesion and coordination within the broader social protection system. Furthermore, challenges with existing regulations restrict local governments' ability to design their own cash transfer programs.<sup>185</sup>

Therefore, the government could consolidate the system by linking together national and local social protection schemes. The schemes proposed in this strategy offer a minimum platform for local governments to build on. They can expand coverage and increase the transfer values of the national schemes outlined here. This will enable local government with higher costs of living to offer transfer values more in line with local needs and requirements. This has been a common strategy used by local governments to ensure that vulnerable families (as defined in the local context) are benefitting from the national health system and that critical medical priorities facing the local population are covered through the program. For example, several districts in Papua are financing treatment for HIV/AIDS patients as a way of augmenting the existing services offered through JKN-PBI.<sup>186</sup>

## 4.6 Institutional reforms and arrangements

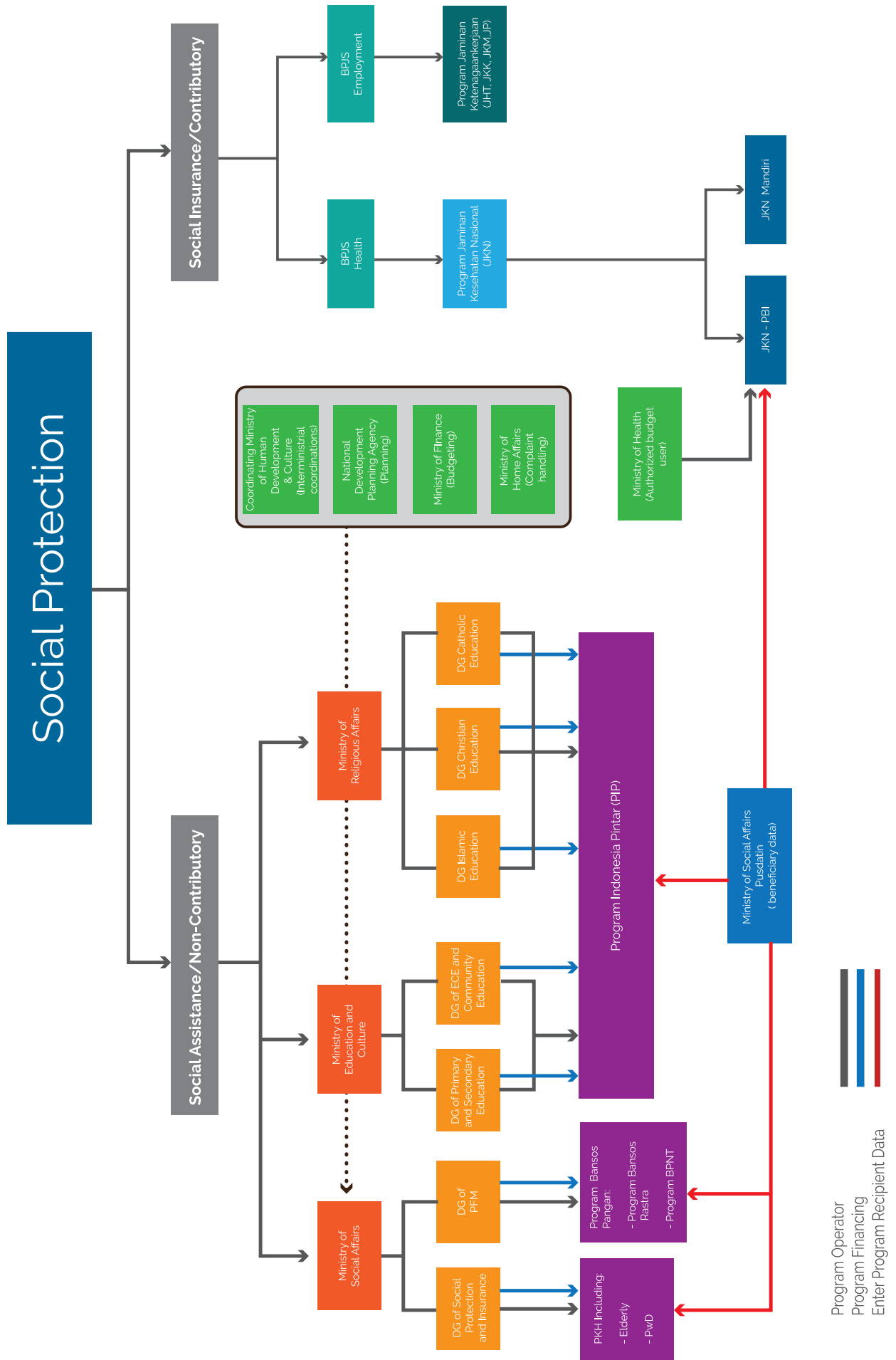
**As described in sections 3.1, various ministries manage the social protection programs in Indonesia (Figure 55).** The non-contributory or social assistance programs, including Rastra/BPNT, PKH, ASLUT and ASPDB, are managed by Ministry of Social Affairs (MoSA), although via different directorates within MoSA. Program Indonesia Pintar is managed by the Ministry of Education and Culture (MoEC) and Ministry Religious Affairs (MoRA). The contributory or social security programs are managed by the Social Security Agency for Health and the Social Security Agency for Employment.

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<sup>185</sup> Refer to Ministry of Home Affairs (MoHA) Regulation No 32 of 2011, revised with Regulation No 14 of 2016 on social assistance and grants transfer from local budgets. This regulation stipulates that local governments are unable to offer regular cash transfers using local resources and that programs must be poverty-targeted

<sup>186</sup> Based on consultations with Papua province and district officials

Figure 55: Institutional arrangements for the existing social protection system



**The fact that MoSA, MoEC and MoRA are targeting similar beneficiaries for PKH and PIP has resulted in inefficient implementation of both programs.** Furthermore, the lack of coordination between the multiple implementing directorates within MoSA also results in each program having its own set of operational processes, monitoring and evaluation strategies, beneficiary lists and budgets. Although ministries or institutions, such as the Coordinating Ministry for Human Development and Cultural Affairs, Bappenas, Ministry of Finance, TNP2K and the Presidential Staff Office, have the mandate to ensure harmonisation among the disparate social assistance schemes, in reality, such high-level coordination mechanisms cannot effectively ensure that the various ministries and units 'speak to each other' during day-to-day implementation and year-to-year budget planning processes.

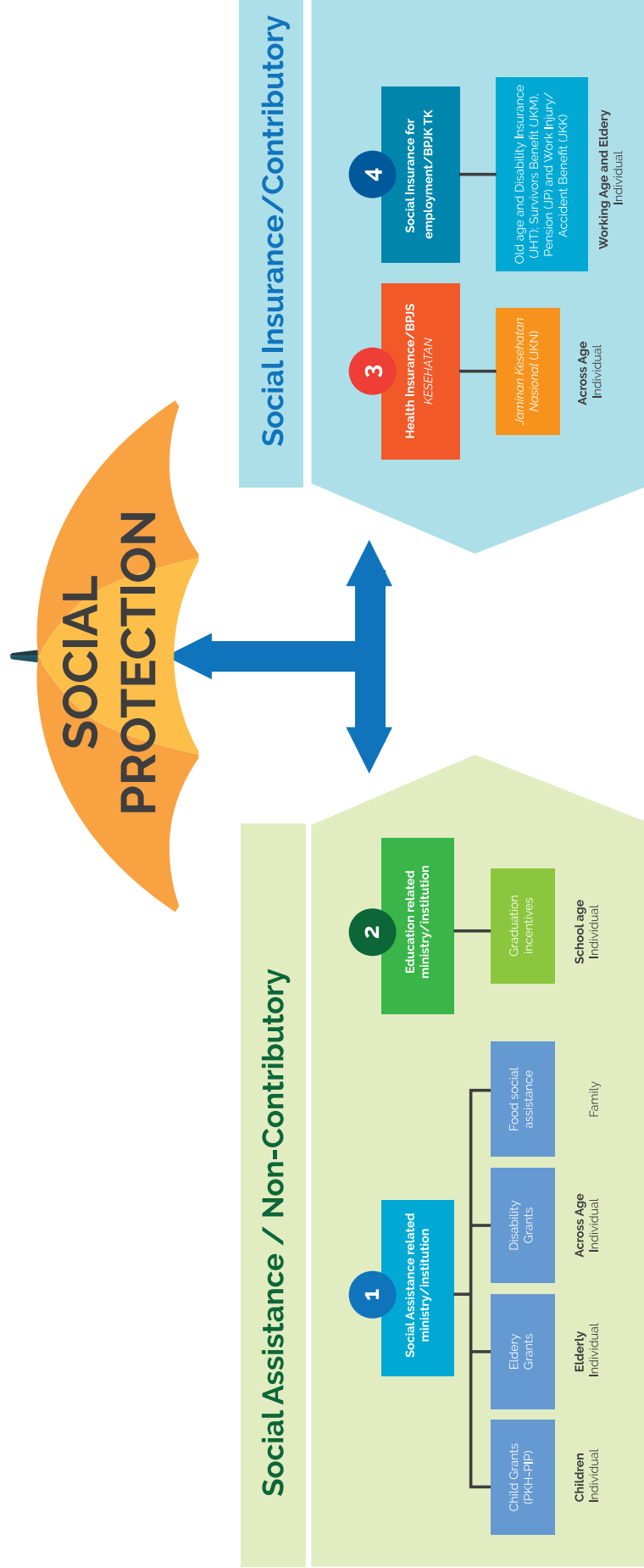
**As an example, national policies dictate that PKH beneficiaries are also entitled to receive assistance from the BPNT or Rastra and JKN programs and their school-going children are entitled to access PIP.** However, only a small percentage of households access all schemes they are entitled to. This is partly due to PIP beneficiaries being proposed by schools and PKH beneficiaries being proposed by communities despite the national mandate to derive beneficiary lists from the Unified Database (UDB). Although the relevant ministries seek data from sources outside the UDB in order to address program exclusion errors, this results in an absence of centralised beneficiary management lists and a targeting system susceptible to bias by local actors.

**In order to improve the potential impacts of Indonesia's social protection schemes, a reform of the system's institutional structure is critical for the next five-year period, as shown in Figure 56.** Beyond 2024, however, rather than assign these programs to existing ministries, it is suggested that a new independent agency, similar to BPJS, be established to implement all non-contributory social assistance schemes through the issuance of a presidential regulation. This agency would be supervised by a steering committee consisting of related ministries, also appointed by presidential regulation and chaired by the president or vice president.<sup>187</sup>

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<sup>187</sup> The governance proposals beyond 2024 will be discussed in greater detail in the subsequent publication

Figure 56: The social protection system's reformed institutional structure, 2020–2024



The strategy recommends that the social protection system in 2020–2024 be managed via four institutions: a reformed institution or ministry to manage social assistance; a reformed institution or ministry to manage education; the Social Security Agency for Health to manage the health insurance programs; and the Social Security Agency for Employment to manage the employment insurance programs. The social protection mandate of each institution could potentially be as follows:

- **A reformed institution or ministry in charge of social assistance will manage most non-contributory schemes**, including the reformed child benefit scheme and the severe disability grant for adults and children (as described in section 5.2), as well as continue to manage food assistance support (BPNT).

Should this institution implement the non-contributory schemes directly, the unit will need to bolster its staffing, strengthen operational processes<sup>188</sup> and improve its mechanisms for inter-ministerial and intra-ministerial coordination to ensure high-quality implementation. As an alternative, it may also consider outsourcing the implementation of the schemes to an external agency, creating greater bandwidth for improved monitoring and evaluation, planning and coordination.

- With the reformed child benefit scheme, MoEC and MoRA will no longer have a role in managing PIP. **Therefore, an existing directorate within MoEC (for instance the Directorate General of Basic and Secondary Education) can implement the graduation incentive program.** The role of this directorate will be overseeing program implementation, as well as inter-ministerial and intra-ministerial coordination and regional education offices. Similar to the institution responsible for social assistance implementation, MoEC can also recruit an external agency to operationally implement the graduation incentive so that it can focus its efforts on monitoring, evaluation, planning and coordination.
- **The Social Security Agency for Health will continue to manage the health insurance program.**
- **The Social Security Agency for Employment will continue to manage the employment insurance programs**, with the potential to implement the proposed elderly benefit scheme.

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<sup>188</sup> The existing implementation of PKH and BPNT/Rastra highlights the following: targeting mechanisms must be strengthened; socialisation is needed at the community level; monitoring and evaluation strategies as well as complaints-handling mechanisms need to be effectively administered (SAPER, 2017; TNP2K internal monitoring)

Currently, cash transfers for the elderly (via ASLUT and PKH) are managed across two MoSA directorates. **Moving forward, one option is for a new unit within the implementing ministry or institution to manage the reformed elderly benefit in its early stages. This will be with the provision that the scheme is separated from PKH and with the caveat that a supporting team and additional resources are required to design the scheme, provide technical assistance and potentially pilot and evaluate the scheme ahead of its full roll-out.**

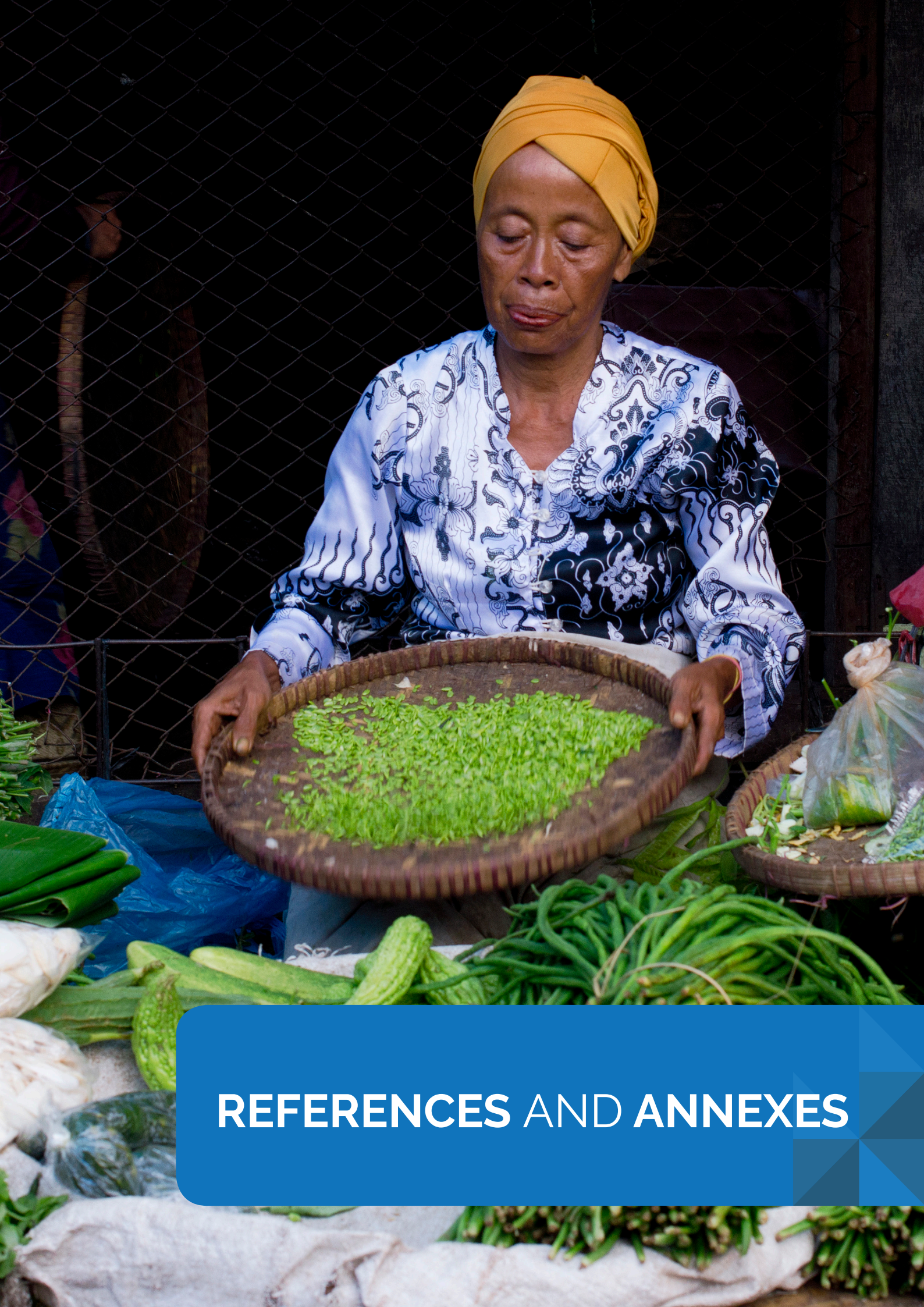
A second option is for the elderly benefit to be managed by the Social Security Agency for Employment. This is based on the consideration that the agency is already implementing the contributory social insurance schemes and is therefore able to ensure that the elderly benefit is 'pension-tested' by excluding all individuals who are currently receiving a contributory pension. If under the management of the Social security Agency, the elderly benefit and contributory social insurance schemes would complement one another to ensure **complete pension coverage** for all Indonesian citizens. Such coordinated implementation of the non-contributory and contributory schemes for the elderly would not be possible if implemented under disparate agencies.

**A further consideration is that the Social Security Agency is an independent unit, with adequate financial resources, human resources and the relevant experience to design and implement such a scheme.** However, this second option would require regulatory reform to ensure that the Social Security Agency for Employment has the function and mandate to manage non-contributory schemes such as the elderly benefit.









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Government Regulation No 37 of 2014 on implementing Pensions for Civil Servants

Law No 13 of 2011 on the Handling of the Poor and Needy

Law No 24 of 2011 on the Administration of Social Security

Law No 40 of 2004 on the National Social Security System

Ministry of Labour Regulation No 1 of 2016 on Implementing JKK, JKM and JHT for non-wage recipient workers

Ministry of Home Affairs Regulation No 32 of 2011 concerning Guidelines for Providing Grants and Social Aid Originating from APBD

Presidential Decree No 59 of 2017 regarding Achieving the Sustainable Development Goals

Presidential regulation No 109 of 2013 concerning Social Security Program Participation

Presidential regulation No 15 of 2010 establishing the National Team for the Acceleration of Poverty Reduction

Presidential regulation No 96 of 2015 on the role of the National Team for the Acceleration of Poverty Reduction

**Annex 1:****Overview of social protection programs in Indonesia, 2017****Table Annex 1: Social protection programs in Indonesia 2017**

Notes: This table is based on social assistance and health insurance budget allocations and contributions to the social insurance schemes

Scheme	Description of scheme	Implementing ministry	Number of beneficiaries/ contributing members	Value of transfer (monthly)	Investment Values (IDR)	Expenditure (% of GDP)
<b>TAX-FINANCED/NON-CONTRIBUTORY SOCIAL ASSISTANCE PROGRAMS</b>						
<b>Rice subsidy for the poor/Rastra (previously referred to as Raskin)</b>	Social assistance/ poverty targeted/ in-kind transfer	Ministry of Social Affairs	14,212,747 families (although approximately 28,600,000 households reported receiving the rice) (2017)	Officially 15kg of rice (in practice, much less, as it is shared equally by communities)	19,7T	0,18%
<b>Non-cash food assistance program/ <i>Bantuan Pangan Non Tunai</i> (BPNT)</b>	Social assistance/ poverty targeted/ in-kind transfer	Ministry of Social Affairs	1,286,000 poor families in 44 districts (2017)	IDR110,000 per month per family (2017)	1,6T	0,01%
<b>Conditional cash transfer program/ <i>Program Keluarga Harapan</i> (PKH)</b>	Social assistance/ poverty targeted/ cash transfer	Ministry of Social Affairs	5,981,528 families and 12,075,201 individual beneficiaries (2017)	IDR157,000 per family on average (2017) – calculated based on the yearly benefit of IDR1,890,000 per family	11,3T	0,08%

Scheme	Description of scheme	Implementing ministry	Number of beneficiaries/ contributing members	Value of transfer (monthly)	Investment Values (IDR)	Expenditure (% of GDP)
<b>PROGRAM NON KONTRIBUSI/ BANTUAN SOSIAL</b>						
<b>Education cash transfer program for poor and at-risk students / Program Indonesia Pintar (PIP, formerly Bantuan Siswa Miskin – BSM)</b>	Social assistance/ poverty targeted/ cash transfer	Ministry of Education and Culture and Ministry of Religious Affairs	Pagu penerima PIP adalah 19,718.144 anak (2017)	Primary school: IDR37,500 Junior secondary school: IDR62,500 Senior secondary school: IDR83,000 (calculated based on the yearly benefit per student for primary level of IDR450,000 per year per student; for junior secondary of IDR750,000 and for senior secondary of IDR1,000,000 per year per student)	10,8T	0,08%
<b>Social assistance for the elderly / Asistensi Sosial Lanjut Usia (ASLUT)<sup>189</sup></b>	Social assistance/ poverty targeted/ cash transfer	Ministry of Social Affairs	30,000 individuals (2017)	IDR200,000	149M	0,0006
<b>Social assistance for people with severe disability/ Asistensi Sosial Penyandang Disabilitas Berat (ASPDB)<sup>190</sup></b>	Social assistance/ poverty targeted/ cash transfer	Ministry of Social Affairs	22,500 individuals (2017)	IDR300,000	370M	0,0008

<sup>189</sup> As of 2018, ASLUT is no longer a stand-alone program and has been integrated into PKH

<sup>190</sup> As of 2018, ASPDB is no longer a stand-alone program and has been integrated into PKH

Scheme	Description of scheme	Implementing ministry	Number of beneficiaries/ contributing members	Value of transfer (monthly)	Investment Values (IDR)	Expenditure (% of GDP)
<b>PROGRAM NON KONTRIBUSI/ BANTUAN SOSIAL</b>						
<b>Social welfare program for poor children / Program Kesejahteraan Sosial Anak (PKSA)</b>	Social assistance/ poverty targeted/ cash transfer	Ministry of Social Affairs	77,430 children (2017) and 100,482 children in 2018 (target)	IDR125,000	311M	0,0034
<b>Eliminating child labour through PKH/ Penarikan Pekerja Anak – Program Keluarga Harapan (PPA-PKH)</b>	Social assistance/ poverty targeted/ cash transfer	Ministry of Manpower	17,000 children (6,000 children from the national budget; 11,000 children in collaboration with local NGOs and corporate social responsibility activities)	IDR125,000	28M	0,0002
<b>Total investment on tax-financed/ non-contributory programs</b>					<b>44T</b>	<b>0,35%</b>
<b>CONTRIBUTORY / SOCIAL INSURANCE SCHEMES</b>						
<b>Note:</b> Investment values for contributory schemes present the total funds being managed by Social Security Agency for Employment and not the value paid out to contributing members						

Scheme	Description of scheme	Implementing ministry	Number of beneficiaries/ contributing members	Value of transfer (monthly)	Investment Values (IDR)	Expenditure (% of GDP)
<b>Social Security Agency for Employment / Badan Penyelenggara Jaminan Sosial (BPJS) Ketenagakerjaan</b>	Social insurance for private sector workers (pension/ <i>Jaminan Pensiun</i> (JP), disability, widow/er/ <i>Jaminan Hari Tua</i> (JHT), work accidents/ <i>Jaminan Kecelakaan Kerja</i> (JKK), and survivors' benefit/ <i>Jaminan Kematian</i> (JKM))	Social Security Agency for Employment / BPJS Ketenagakerjaan	<ol style="list-style-type: none"> <li>24,096,776<sup>191</sup> total active members as of September 2017 (details below):               <ol style="list-style-type: none"> <li>Work injury and life insurance: 24,096,776 members</li> <li>Old age and disability insurance: 14,322,418 members</li> <li>Pension members: 10,306,561 members (2017)</li> </ol> </li> </ol>	Depending on scheme and contribution	19,7T <sup>192</sup>	0.06%
<b>Old age savings scheme for civil servants / Program Tabungan Hari Tua Pegawai Negeri (PT Taspen)</b>	Social insurance for civil servants (pension, disability, widow/er, work accidents)	PT Taspen	6,700,000 total active members (2017)	Depending on scheme and contribution	4,4T	0,04%

<sup>191</sup> National Social Security Agency for Employment (2017)

<sup>192</sup> Prahara (2017)



Skema	Tipe program	Tanggung Jawab Kementerian	Jumlah Penerima Manfaat	Nilai Transfer/ Kontribusi (per bulan)	Nilai Investasi (IDR)	Persentase (%) pada PDB
<b>Social insurance for Indonesia's military, police and civil service under the Ministry of Defence / Asuransi Sosial Angkatan Bersenjata Republik Indonesia (PT Asbari)</b>	Social insurance for employees of the military, police, Ministry of Defence (pension, disability, widow/er, work accidents)	PT Asabri	936,835 total active members (2016)	Depending on scheme and contribution	895M	0,01%
<b>Total investment on contributory programs transfers</b>						
<b>Subsidised national health insurance</b>						
<b>Subsidised national health insurance/ Penerima Bantuan Juran – Jaminan Kesehatan Nasional (PBI-JKN)</b>	Social insurance (health insurance, non-contributory for the poor)	Social Security Agency for Health	92.400.000 total active members	Free for those identified as the poorest 35% of the population	26T	0,20%
<b>Total investment on health insurance</b>						
<b>Total investment on social protection</b>						
					<b>26 T</b>	<b>0,20%</b>
					<b>95 T</b>	<b>0,73%</b>

**Notes:**

- Indonesian GDP 2017 = IDR13,717 trillion (current figures)
  - State budget (APBN) 2017 = IDR2,080 trillion (current figures)
- Source: Ministry of Finance (2017) and Bappenas (2018); calculated by TNP2K (2018)

## Annex 2

### Notes on the methodology

This annex provides a description of the data, microsimulations and main assumptions used in this strategy.

#### Data

The data used in the simulations are from Susenas (March 2017), the nationally representative socio-economic household survey. The 2017 dataset has 300,000 observations collected for 514 districts across all 34 provinces. The survey was conducted by the Central Bureau of Statistics in Indonesia (Badan Pusat Statistik – BPS).<sup>193</sup>

The official poverty lines considered in the analysis are presented in the table below for each province and place of residence.

**Table Annex 2.1: Poverty lines by province and place of residence, IDR per month per person, March 2017**

Province	Urban	Rural	Province	Urban	Rural
Aceh	458.011	425.730	West Nusa Tenggara	355.250	337.333
North Sumatera	425.693	396.033	East Nusa Tenggara	406.973	326.320
West Sumatera	472.614	439.220	West Kalimantan	379.187	375.621
Riau	463.248	450.581	Central Kalimantan	373.219	414.002
Jambi	457.818	360.519	South Kalimantan	412.452	393.097
South Sumatera	410.532	347.520	East Kalimantan	555.880	532.719
Bengkulu	477.801	438.342	North Kalimantan	562.937	537.246
Lampung	420.227	371.894	North Sulawesi	329.330	336.837
Bangka Belitung Islands	571.229	602.942	Central Sulawesi	416.453	383.097
Riau Islands	516.418	492.642	South Sulawesi	296.644	274.434

<sup>193</sup> For more information on Susenas see: <https://www.bps.go.id/>.

Province	Urban	Rural	Province	Urban	Rural
DKI Jakarta	536,546	-	Southeast Sulawesi	297,829	279,739
West Java	345,151	341,682	Gorontalo	298,492	295,057
Central Java	334,522	331,673	West Sulawesi	437,644	435,787
Special Region Of Yogyakarta	385,308	348,061	Maluku	410,412	383,784
East Java	344,164	339,537	North Maluku	515,849	488,564
Banten	396,608	363,588	West Papua	498,368	441,287
Bali	370,615	345,342	Papua	498,368	441,287
<b>INDONESIA</b>				<b>385,621</b>	<b>361,496</b>

## Simulations and assumptions

The approach used to analyse the microsimulations of the reforms was based on the hypothetical scenario of the reforms taking place 'overnight' in 2017. The idea is to estimate poverty measures in scenarios where households receive the corresponding benefits instead of current programs. In this approach, per capita expenditure is used as the measure of welfare to estimate the following poverty and inequality outcomes: poverty headcount, poverty gap and the Gini coefficient. Succinctly, the method can be described in four different steps:

### 1. Deduct transfer values from current social protection programs from households' expenditure

Three current social protection programs were considered:

- **PKH** – conditional cash transfers
- **Rastra** – rice for poor families.
- **PIP** – cash transfers for poor students.

For each of the current programs, questions on program participation in Susenas' social protection module are used to identify current beneficiaries and determine the amount of transfers received.

Once benefit levels for each of the current programs are determined, household expenditure net of current transfers is estimated and poverty outcomes simulated in this hypothetical scenario of no social protection. The key underlying assumption here is that households consume one hundred per cent of all transfer values received. These estimated poverty outcomes together with current levels form the benchmark levels when simulating the proposed reforms.

## **2. Simulate beneficiaries of the new social protection programs**

First, households and individuals eligible for the reformed programs are identified. Recipients are selected according to the targeting scheme proposed in each of the reformed programs. In the PKH program which is targeted at the poorest 15 million families, targeting errors are introduced by mimicking the wealth distribution of the Social Protection Card (KPS) observed in Susenas 2017. That is, the distribution across wealth deciles of recipients of the reformed PKH is similar to the distribution across wealth deciles of the households with the KPS card. In the elderly grant, all people aged 70 and over that do not currently receive a pension were selected.

The two disability benefit schemes proposed are also universal. However, because there are no questions in Susenas 2017 that identify individuals with severe disabilities, individuals with severe disabilities are randomly selected so that their distribution across provinces and broad age groups are similar to that found in SUPAS (2015). To exemplify how this approach works, imagine a distribution pattern indicating that 7 per cent of all people with severe disabilities live in the province of West Java and are over 60 years old, this would mean that 7 per cent of the weighted total of individuals with severe disability are randomly selected from this province and age group.

## **3. Estimate hypothetical household expenditure levels with the transfer values proposed in the new social protection programs**

Once recipients of each of the proposed programs are identified, new values of per capita expenditure are estimated. The new values of per capita expenditure correspond to the sum of the per capita expenditure net of current social protection programs plus the proposed transfer values from the new social protection programs. .

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#### 4. Estimate changes in poverty and inequality measures

Two measures of poverty – the poverty rate and the poverty gap – were considered and estimated across five-year age groups. In order to estimate the poverty measures under the reformed programs, the 2017 (March) poverty lines by place of residence (urban or rural) and province were used. To measure changes in inequality Gini coefficients for each scenario were estimated.

### ANNEX 3:

## Simulated Impacts Of Alternative Grant Options For The 2020–2024 Period

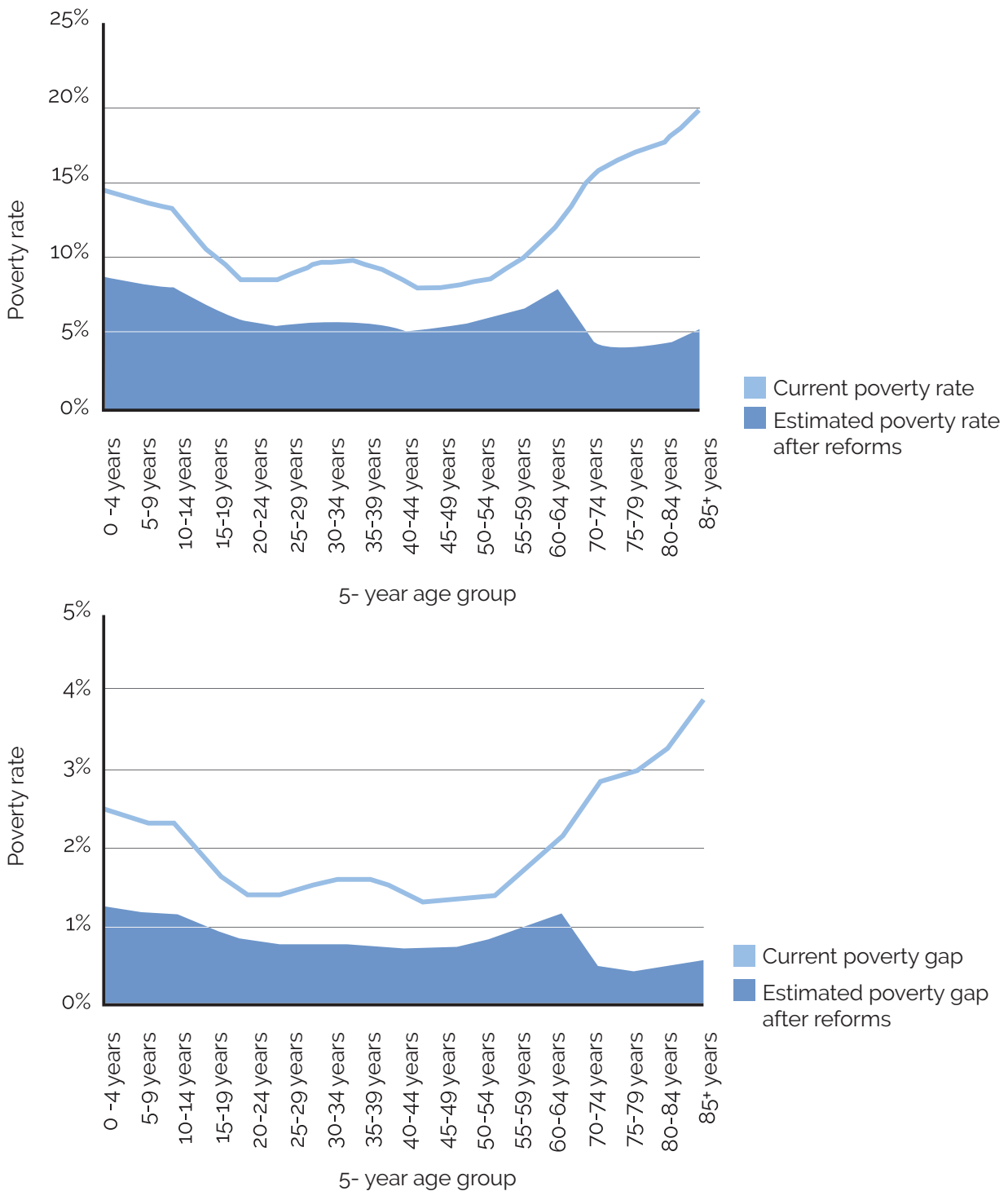
The figures below show the overall simulated impacts on the poverty rate and poverty gap using two alternative grant transfer values for the elderly grant and child disability benefit proposed in the reforms (see section 5.2). The simulations suggest that, had the reforms proposed for 2020–2024 been implemented today with grant transfer values set at IDR200,000 per month, the national poverty rate would have decreased from 10.64 to 6.40 per cent. Alternatively, if the grant transfer values are set to IDR400,000 per month, the national poverty rate would have fallen to 6.02 per cent. The current poverty gap would have fallen by 48 and 51 per cent respectively if the grants were set at IDR200,000 and IDR400,000 per month.



Table Annex 3.1: Simulated impact on poverty rates

Five years age groups	Baseline Poverty Rates (%), 2017	Simulated Impact of each individual program: post-transfer poverty rates (%)												Simulated impact of all reforms together: post-transfers poverty rates (%)		
		PKH			Disability			Old Age								
		IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000
0 - 4 years	14,32	9,62	14,12	14,05	13,99	13,89	13,89	13,68	13,49	8,63	8,43	8,27				
5 - 9 years	13,66	9,16	13,49	13,42	13,36	13,21	13,21	12,99	12,79	8,11	7,92	7,76				
10 - 14 years	13,05	8,90	12,89	12,82	12,76	12,58	12,58	12,35	12,16	7,89	7,68	7,55				
15 - 19 years	10,48	7,60	10,35	10,30	10,25	10,04	10,04	9,84	9,71	6,65	6,49	6,34				
20 - 24 years	8,51	6,60	8,39	8,34	8,30	8,14	8,14	8,01	7,90	5,77	5,65	5,51				
25 - 29 years	8,58	6,18	8,44	8,40	8,35	8,20	8,20	8,05	7,95	5,40	5,27	5,18				
30 - 34 years	9,53	6,49	9,43	9,38	9,35	9,15	9,15	8,98	8,82	5,64	5,50	5,38				
35 - 39 years	9,78	6,66	9,64	9,59	9,56	9,31	9,31	9,09	8,93	5,72	5,53	5,42				
40 - 44 years	9,27	6,44	9,15	9,11	9,07	8,74	8,74	8,52	8,34	5,51	5,33	5,19				
45 - 49 years	7,95	5,95	7,84	7,81	7,77	7,48	7,48	7,30	7,18	5,06	4,94	4,81				
50 - 54 years	8,07	6,41	7,98	7,94	7,90	7,60	7,60	7,37	7,22	5,35	5,16	5,00				
55 - 59 years	8,51	7,02	8,45	8,41	8,38	8,02	8,02	7,79	7,68	5,88	5,69	5,57				
60 - 64 years	9,97	8,15	9,90	9,87	9,85	9,24	9,24	8,94	8,80	6,65	6,45	6,33				
65 - 69 years	11,93	9,98	11,86	11,82	11,79	10,46	10,46	9,92	9,57	7,80	7,35	7,11				
70 - 74 years	15,32	13,02	15,26	15,25	15,22	6,56	6,56	4,43	3,04	4,35	2,89	1,89				
75 - 79 years	16,42	14,29	16,32	16,28	16,27	5,97	5,97	4,11	2,80	3,92	2,58	1,77				
80 - 84 years	17,29	14,85	17,25	17,23	17,19	6,53	6,53	4,35	3,23	4,24	3,04	2,08				
85 + years	19,35	17,38	19,32	19,29	19,29	7,97	7,97	4,95	3,24	5,20	3,56	2,19				
total	10,64	7,69	10,51	10,46	10,42	9,85	9,85	9,58	9,38	6,40	6,18	6,02				

**Figure Annex 3.1: Potential impacts of the national social protection system reforms, 2020–2024, on the poverty rate and poverty gap across age groups, using IDR200,000 as the value for the elderly grant and child disability benefit**



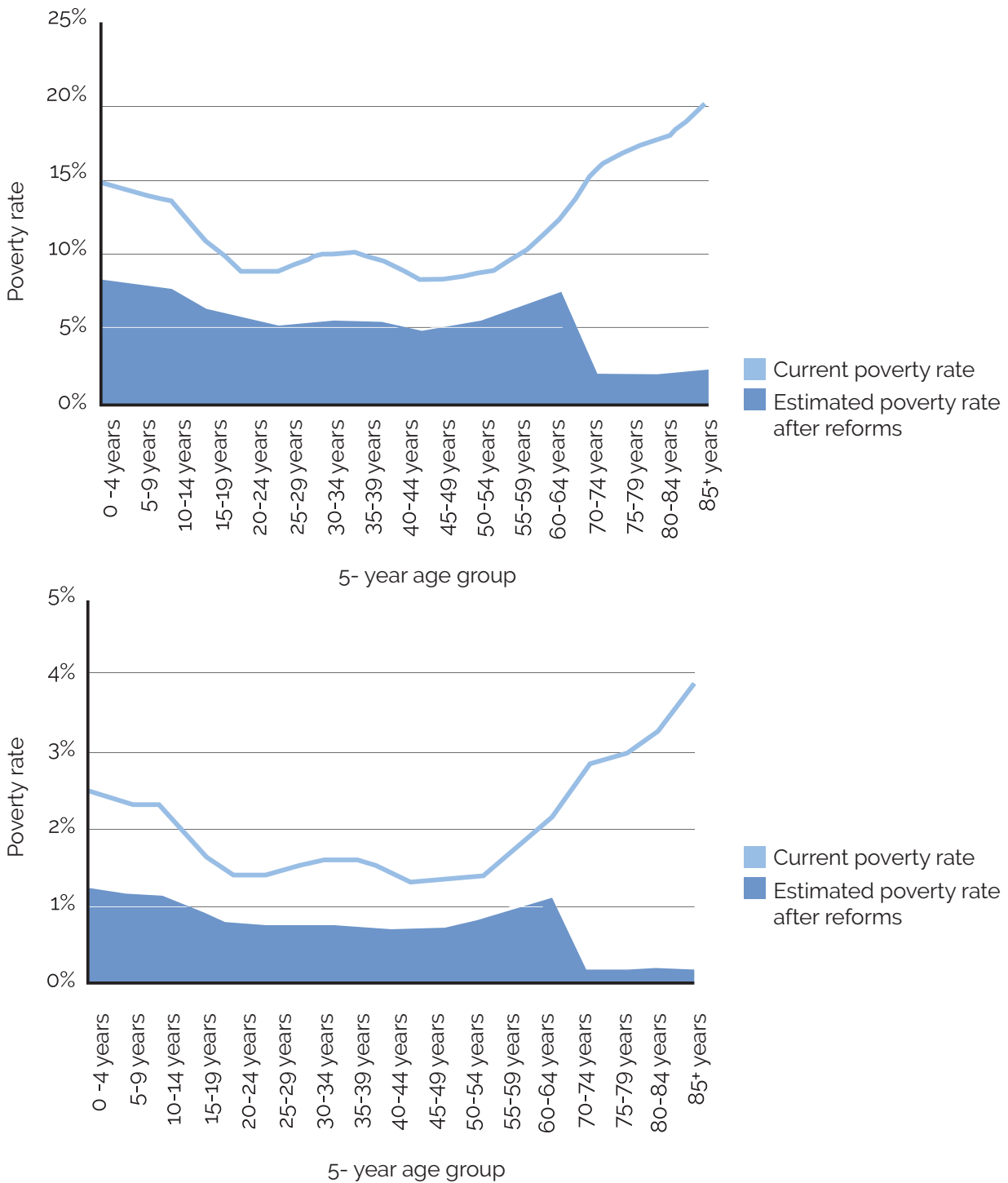
**Notes:**The microsimulations look at the possible impacts had the programs been implemented in 2017. Current social protection programs excluded are PKH, PIP and Rastra. Programs included in the 'after reforms' scenarios include the reformed Rastra, reformed PKH, child disability benefit and the elderly grant.

Source: Susenas (2017)

Table Annex 3.2 Simulated impact on poverty gap

Five years age groups	Baseline Poverty Rates (%), 2017	Simulated Impact of each individual program: post-transfer poverty rates (%)												Simulated impact of all reforms together: post-transfers poverty rates (%)		
		PKH				Disability				Old Age				IDR 200.000	IDR 300.000	IDR 400.000
		IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000						
0 - 4 years	2,53	1,54	2,49	2,47	2,46	2,40	2,36	2,33	1,33	1,29	1,26	1,26	1,29	1,26		
5 - 9 years	2,40	1,43	2,35	2,34	2,33	2,27	2,23	2,20	1,23	1,20	1,17	1,17	1,20	1,17		
10 - 14 years	2,30	1,40	2,26	2,25	2,23	2,17	2,12	2,09	1,20	1,17	1,14	1,14	1,17	1,14		
15 - 19 years	1,80	1,20	1,77	1,76	1,75	1,68	1,65	1,62	1,03	0,99	0,97	0,97	0,99	0,97		
20 - 24 years	1,44	1,03	1,41	1,40	1,39	1,35	1,33	1,31	0,87	0,85	0,83	0,83	0,85	0,83		
25 - 29 years	1,41	0,95	1,38	1,37	1,36	1,32	1,29	1,27	0,80	0,77	0,75	0,75	0,77	0,75		
30 - 34 years	1,57	0,98	1,55	1,54	1,53	1,48	1,45	1,42	0,82	0,80	0,78	0,78	0,80	0,78		
35 - 39 years	1,61	1,00	1,58	1,58	1,57	1,49	1,45	1,42	0,81	0,79	0,77	0,77	0,79	0,77		
40 - 44 years	1,54	0,97	1,51	1,50	1,50	1,41	1,38	1,35	0,79	0,76	0,75	0,75	0,76	0,75		
45 - 49 years	1,33	0,92	1,30	1,30	1,29	1,21	1,19	1,17	0,75	0,72	0,70	0,70	0,72	0,70		
50 - 54 years	1,36	1,01	1,34	1,33	1,33	1,23	1,20	1,18	0,80	0,77	0,75	0,75	0,77	0,75		
55 - 59 years	1,41	1,08	1,39	1,38	1,38	1,29	1,26	1,25	0,85	0,83	0,82	0,82	0,83	0,82		
60 - 64 years	1,73	1,33	1,71	1,71	1,70	1,55	1,52	1,49	1,03	1,00	0,98	0,98	1,00	0,98		
65 - 69 years	2,13	1,73	2,11	2,11	2,10	1,76	1,67	1,63	1,23	1,16	1,13	1,13	1,16	1,13		
70 - 74 years	2,83	2,27	2,82	2,81	2,81	0,86	0,53	0,34	0,53	0,31	0,20	0,20	0,31	0,20		
75 - 79 years	2,98	2,38	2,96	2,95	2,95	0,78	0,49	0,32	0,46	0,29	0,18	0,18	0,29	0,18		
80 - 84 years	3,29	2,69	3,28	3,27	3,27	0,86	0,55	0,37	0,52	0,32	0,21	0,21	0,32	0,21		
85 + years	3,87	3,37	3,86	3,86	3,86	0,93	0,53	0,35	0,59	0,33	0,19	0,19	0,33	0,19		
<b>TOTAL</b>	<b>1,83</b>	<b>1,21</b>	<b>1,80</b>	<b>1,79</b>	<b>1,78</b>	<b>1,63</b>	<b>1,59</b>	<b>1,56</b>	<b>0,96</b>	<b>0,92</b>	<b>0,90</b>	<b>0,90</b>	<b>0,92</b>	<b>0,90</b>		

**Figure Annex 3.2: Potential impacts of the national social protection system reforms, 2020–2024, on the poverty rate and poverty gap across age groups, using IDR400,000 as the value for the elderly grant and child disability benefit**



**Notes:** The microsimulations look at the possible impacts had the programs been implemented in 2017. Current social protection programmes excluded are PKH, PIP and Rastra. Programs included in the 'after reforms' scenarios include the reformed Rastra, reformed PKH, child disability benefit and the elderly grant.

Source: Susenas (2017)

**Table Annex 3.3: Simulated impact on percentage increase in households' per capita expenditure**

Expenditure deciles	Simulated Impact of each individual program: average % - increase in household per capita expenditure										Simulated impact of all reforms together: average % - increase in household per capita expenditure		
	PKH	Disability			Old Age			IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000
		IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000						
<b>Decile 1</b>	12,84	0,38	0,57	0,76	5,47	8,21	10,94	18,69	21,62	24,55			
<b>Decile 2</b>	7,31	0,26	0,38	0,51	2,83	4,25	5,66	10,39	11,94	13,48			
<b>Decile 3</b>	4,84	0,25	0,38	0,51	1,91	2,86	3,81	7,00	8,08	9,16			
<b>Decile 4</b>	3,27	0,22	0,33	0,44	1,49	2,24	2,99	4,98	5,84	6,69			
<b>Decile 5</b>	2,35	0,19	0,28	0,38	1,16	1,74	2,32	3,70	4,38	5,05			
<b>Decile 6</b>	1,62	0,17	0,25	0,33	0,92	1,38	1,83	2,71	3,25	3,79			
<b>Decile 7</b>	1,03	0,13	0,20	0,27	0,77	1,16	1,54	1,94	2,39	2,84			
<b>Decile 8</b>	0,64	0,11	0,17	0,23	0,53	0,79	1,06	1,28	1,60	1,92			
<b>Decile 9</b>	0,28	0,09	0,13	0,17	0,35	0,52	0,69	0,71	0,93	1,15			
<b>Decile 10</b>	0,08	0,05	0,07	0,10	0,16	0,24	0,32	0,29	0,40	0,50			
<b>TOTAL</b>	<b>3,43</b>	<b>0,18</b>	<b>0,28</b>	<b>0,37</b>	<b>1,56</b>	<b>2,34</b>	<b>3,12</b>	<b>5,17</b>	<b>6,04</b>	<b>6,91</b>			

**Table Annex 3.4: Simulated impact on percentage increase of eligible households' per capita expenditure**

Expenditure deciles	Simulated Impact of each individual program: average % - increase in household per capita expenditure of eligible households									
	PKH	Disability			Old Age					
		IDR 200.000	IDR 300.000	IDR 400.000	IDR 200.000	IDR 300.000	IDR 400.000			
<b>Decile 1</b>	15,12	12,55	18,82	25,09	20,47	30,70	40,93			
<b>Decile 2</b>	8,67	9,44	14,16	18,88	12,84	19,26	25,69			
<b>Decile 3</b>	5,79	8,05	12,08	16,11	9,99	14,98	19,98			
<b>Decile 4</b>	4,04	7,07	10,61	14,15	8,26	12,39	16,52			
<b>Decile 5</b>	3,01	6,04	9,06	12,07	6,94	10,41	13,88			
<b>Decile 6</b>	2,20	5,37	8,05	10,74	5,74	8,61	11,48			
<b>Decile 7</b>	1,44	4,66	6,98	9,31	4,79	7,18	9,58			
<b>Decile 8</b>	0,97	4,03	6,04	8,05	3,66	5,50	7,33			
<b>Decile 9</b>	0,48	3,30	4,95	6,60	2,59	3,88	5,17			
<b>Decile 10</b>	0,17	1,99	2,99	3,98	1,29	1,93	2,57			
<b>TOTAL</b>	<b>4,75</b>	<b>6,38</b>	<b>9,57</b>	<b>12,76</b>	<b>8,90</b>	<b>13,35</b>	<b>17,80</b>			



**Annex 4:****Coverage of the national social protection schemes in 2030, by province****Table Annex 4.1:** Coverage of households by social protection schemes in 2030, by province

Province	Coverage of households (%)	Province	Coverage of households (%)
Aceh	69,5	Kepulauan Riau	74,1
Bali	56,0	Lampung	67,5
Bangka Belitung	81,6	Maluku	72,1
Banten	64,6	North Maluku	76,8
Bengkulu	63,0	West Nusa Tenggara	66,2
DI Yogyakarta	55,0	East Nusa Tenggara	74,1
DKI Jakarta	59,4	Papua	59,4
Gorontalo	66,8	West Papua	68,6
Jambi	66,0	Riau	65,7
West Java	62,5	West Sulawesi	69,8
Central Java	63,5	South Sulawesi	65,5
East Java	60,4	Central Sulawesi	64,8
West Kalimantan	67,0	Southeast Sulawesi	72,8
South Kalimantan	63,9	North Sulawesi	60,7
Central Kalimantan	62,2	West Sumatera	67,3
East Kalimantan	61,5	South Sumatera	67,0
North Kalimantan	65,5	North Sumatera	63,8

**Annex 5 : Government assistance program for individuals, families and poor groups**

No	Program	Implementing ministry	Type of assistance	Beneficiary database	Account code	Budget for 2017
<b>PROGRAM IN THE FOOD SECTOR</b>						
1	Rastra	Ministry of Social Affairs (MoSA)	Goods	Unified Database (UDB)	57	IDR19 trillion
2	BPNT (non-cash food assistance)	Ministry of Social Affairs (MoSA)	Food vouchers	UDB	57	IDR1,6 trillion
<b>SUB TOTAL</b>						
<b>PROGRAM IN EDUCATION SECTOR</b>						
3	Program Indonesia Pintar (PIP)	Ministry of Education and Culture (MoEC)	Cash	UDB & primary education data (DAPODIK)	57	IDR10,2 trillion
4	PIP for religious school students	Ministry of Religious Affairs (MoRA)	Cash	UDB & Ministry of Religious Affairs database (EMIS)	57	IDR1,1 trillion
5	Bidik misi scholarship program	Ministry of Research, Technology and Higher Education	Cash	Some sourced from UDB and school recommendations	57	IDR1,1 trillion
6	Bidik misi in religious schools	Ministry of Religious Affairs (MoRA)	Cash	Religious School / School Recommendations	57	IDR90 billion
7	Life skills program					
7a	Excellent work skills education program (PKKU)	Ministry of Education and Culture (MoEC)	Service	Some sourced from UDB (Population aged 16-40 years, with priority for KIP / KKS / KPS holders) with additional criteria	52	IDR85 billion

No	Program	Implementing ministry	Type of assistance	Beneficiary database	Account code	Budget for 2017
7b	Entrepreneurship skills education program (PKW) and excellent entrepreneurship skills education (PKWU)	Ministry of Education and Culture (MoEC)	Service	Some sourced from UDB (Population aged 16–40 years (PKW), aged 20–35 years (PKWU) with priority for KIP / KKS / KPS holders) with additional criteria	52	IDR107 billion (PKW)
<b>Sub-total</b>						
<b>PROGRAM IN THE HEALTH SECTOR</b>						
8	Healthy Indonesia Program (PIS)	Ministry of Health (MoH)	Services	UDB	57	IDR 21 trillion
<b>SUB TOTAL</b>						
<b>PROGRAM IN THE ENERGY SECTOR</b>						
9	Electricity subsidy program	Ministry of Energy and Mineral Resources	Goods	UDB	99	IDR 14 trillion (900VA) and IDR 28 trillion (450VA)
10	3 kg liquid petroleum gas (LPG) subsidy program	Ministry of Energy and Mineral Resources	Goods	LPG subsidy data (in future, the UDB will be used)	99	IDR 45 trillion
11	Assistance in providing energy-saving solar lights (LTSHE)	Ministry of Energy and Mineral Resources	Goods	Identified from the village potential statistics (PODES) 2015 data and local government suggestions	52	IDR 333 billion
<b>SUB TOTAL</b>						
<b>IDR 87.3 trillion</b>						

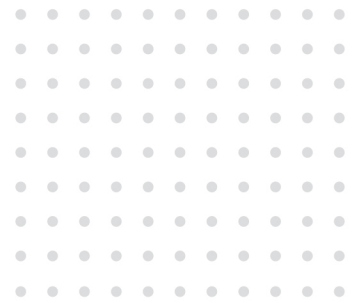
No	Program	Implementing ministry	Type of assistance	Beneficiary database	Account code	Budget for 2017
<b>PROGRAM IN SOCIAL AND ECONOMIC SECTORS</b>						
12	Conditional cash transfer/ Family Hope Program (PKH)	Ministry of Social Affairs (MoSA)	Cash	UDB	57	IDR 12 trillion
13	Joint Business Group (KUBE)	Ministry of Social Affairs (MoSA)	Cash	UDB	57	IDR 107 billion
14	Remote indigenous community (KAT)	Ministry of Social Affairs (MoSA)	Cash, goods and services	Mapping by the Ministry of Social Affairs with universities and local governments	57	IDR 94 billion
15	Program for strengthening the capacities of children and families (TEPAK)	Ministry of Social Affairs (MoSA)	Cash and services	Proposals from the child welfare institutions and verification by local government offices	57	IDR 64 billion
16	Social assistance for people with severe disabilities (ASPDB)	Ministry of Social Affairs (MoSA)	Cash	Submission by the district or city social affairs office, coordinated with the program assistants	57	IDR 68 billion
17	Social assistance for neglected elderly people (ASLUT)	Ministry of Social Affairs (MoSA)	Cash	Data collection by the district or city social affairs office	57	IDR 60 billion
<b>SUB TOTAL</b>						<b>Rp12,4 Triliun</b>
<b>PROGRAM IN HOUSING SECTOR</b>						
18	Social rehabilitation for insecure or unfit housing (RS-RTLH) and environmental facilities (Sarling)	Ministry of Social Affairs (MoSA)	Goods	UDB	57	IDR 15 billion (rural), and

No	Program	Implementing ministry	Type of assistance	Beneficiary database	Account code	Budget for 2017
19a	Housing finance liquidity facility (FLPP)	Ministry of Public Works and Public Housing	Cash	Submission of applicants collected or selected by the bank	99	IDR 10 trillion
19b	Interest difference subsidies (SSB)	Ministry of Public Works and Public Housing	Cash		99	IDR 4 trillion
19c	Cash advance support subsidies (SBUM)	Ministry of Public Works and Public Housing	Cash		99	IDR 2 trillion
20	Self-help Housing Stimulants (BSPS)	Ministry of Public Works and Public Housing	Cash and goods	Submission and selection by an assigned official, local government, facilitators	57	Rp2 Triliun
<b>Sub-total</b>						
<b>PROGRAM IN THE AGRICULTURAL SECTOR</b>						
21	Fertiliser subsidy	Ministry of Agriculture	Goods	Data collected by the local Technical Implementing Unit (UPTD) at sub-district level and the district or city level agriculture services advisor	99	IDR 31 trillion
22	Rice farming insurance premium assistance (AUTP)	Ministry of Agriculture	Cash	Data collected by the local Technical Implementing Unit (UPTD) at sub-district level and the district or city level agriculture services advisor	52	IDR 144 billion

No	Program	Implementing ministry	Type of assistance	Beneficiary database	Account code	Budget for 2017
23	Assistance for cattle farming insurance premiums (AUTS)	Ministry of Agriculture	Cash	Data collection by the agricultural services officer at the district or city level	52	IDR 24 billion
<b>SUB TOTAL</b>						
<b>PROGRAM DI BIDANG KELAUTAN DAN PERIKANAN</b>						
24	Fishing insurance premium assistance (BPAN)	Marine and Fisheries Ministry	Cash	Data collected by facilitators and officers from the marine and fisheries service at the district or city level	52	IDR 88 billion
25	Assistance for fisheries insurance premium for small fish cultivators (BP APPIK)	Marine and Fisheries Ministry	Cash	Fish cultivator card database based on related service reports	52	IDR 225 billion
<b>SUBTOTAL</b>						
<b>TOTAL</b>						
						<b>IDR 313 billion</b>
						<b>IDR 204 trillion</b>







**THE NATIONAL TEAM  
FOR THE ACCELERATION OF POVERTY REDUCTION**

**Office of the Vice President of the Republic of Indonesia**

Jl. Kebon Sirih No. 14, Jakarta Pusat 10110

Telephone : (021) 3912812

Faximile : (021) 3912511

E-mail : pokjabansos@tnp2k.go.id

Website : www.tnp2k.go.id

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