Do Workers in Indonesia Become Retirement Insurance Members? A Sociodemographic Analysis Using 2019 Labor Force Survey

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INTRODUCTION

By 2024, Around 13% of Indonesia's entire population, or 35.5 million individuals, would be elderly

Retirement Insurance
1. Pension Insurance
2. Old-age Insurance

- Old-age insurance is defined as social protection in the form of a cash payment as a replacement for income that can be accessed at any time.
- provided in the form of cash benefits

- pension insurance is a monthly cash payment that will be made to participants or their heirs after workers attain retirement age or become disabled/die
- provided in the form of monthly cash payments

Article 28H paragraph (3) of the Constitution
"every person shall be entitled to social security that enables his or her integral self-development as a dignified human being"

The National Social Security Agency for Employment (BP Jamsostek)

In 2018, membership in these two programs was still less than 25%

Aims of study:

1. to investigate Indonesian workers' access to retirement insurance based on sociodemographic factors so that the government or related stakeholders could implement the appropriate program for workers with certain characteristics which not covered by the retirement insurance program.
2. examines the probability of workers enrolling in retirement insurance based on sociodemographic factors.

METHODOLOGY

No	Variable	Type/Scale	Category
1	Retirement Insurance Membership	Categorical/Nominal	0: Non-member 1: Member of insurance
2	Residence	Categorical/Nominal	0: Rural 1: Urban
3	Household Number(s)	Categorical/Ordinal	0: 1-2 person(s) 1: 3-4 persons 2: 5-6 persons 3: more than 6 persons
4	Gender	Categorical/Nominal	0: Man 1: Woman
5	Marital Status	Categorical/Nominal	0: Single/Never Married 1: Married/In Union 2: Widowed/Divorced
6	Age group	Categorical/Nominal	0: Young (15-30 years old) 1: Middle (31-45 years old) 2: Senior (46-60 years old) 3: Old (60+)
7	Education	Categorical/Ordinal	0: No education 1: Primary school 2: Secondary School 3: Higher School 4: Diploma/Bachelor 5: Postgraduate
8	Sector	Categorical/Nominal	0: Agriculture 1: Mining 2: Industry 3: Property, Real Estate, Construction 4: Infrastructure, Utility, and Transportation 5: Finance 6: Trade, Service, and Investment

Data and Variables

- We employ the 2019 Indonesian National Labor Force Survey (IFLS) August edition data

Technique of Data Analysis

- We use descriptive statistics, cross tabulation, and binary logistic regression

RESULTS AND DISCUSSION

The Development of Retirement Insurance Program in Indonesia

- ILO Convention No.102 of 1952 about the minimum standard of social security
- The government of Indonesia launched Labor Insurance Program (ASTEK) through the Government Regulation No.33/1977 which provide 3 programs: accident insurance, life insurance, and old-age insurance
- In 1992, ASTEK reformed into Labor Social Security (JAMSOSTEK) through Law No.03/1992. This regulation is supported by Government Regulation (PP) No.14/1993, which discusses implementing employment social security, including old-age insurance
- The government then issued Government Regulation No.36/1995, which established the additional role of PT JAMSOSTEK as an employment insurance agency
- Law Number 40 of 2004 on the national social security system
- In 2011, JAMSOSTEK became Social Security Organizing Agency for Labor (BPJS Ketenagakerjaan) through law No. 24/2011, concerning the Social Security Administering Body, which then implemented in 2014
- In November 2014, the institution was renamed BPJamsostek. Initially, the programs operated were Old Age Insurance (JHT), Work Accident Insurance (JKK), and Life Insurance (JKM). In July 2015, these programs were supplemented by a new Pension Insurance (JP)

RESULTS AND DISCUSSION

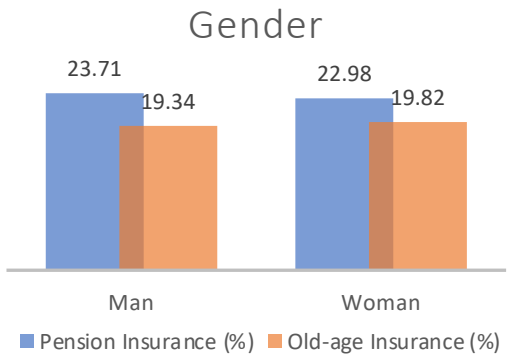
Pension Insurance (JP)

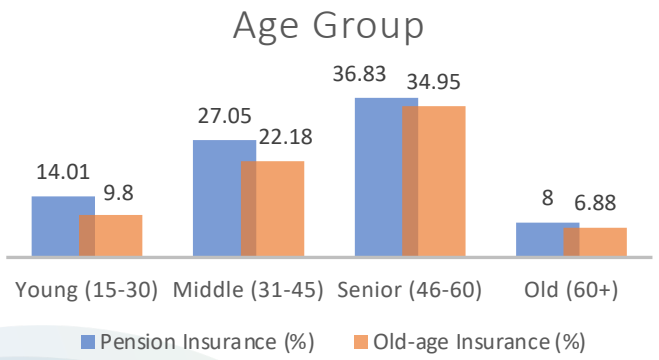
- wage earners, and non-wage workers can become participants in this program.
- Participation ends when the worker/participant dies or reaches retirement age
- Benefits are given when participants reach retirement age (65 years), experience permanent total disability, or die.
- Benefits are given to participants with a contribution period of at least 15 years (equivalent to 180 months).
- The amount of benefits is calculated using a formula adjusted to the type of pension

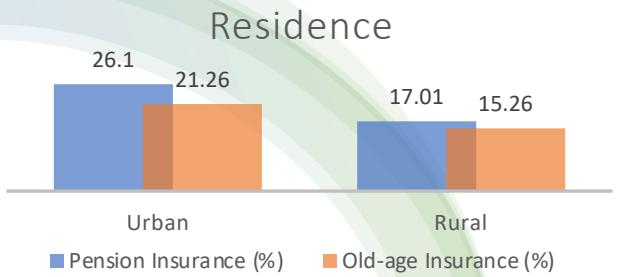
Old-age Insurance (JHT)

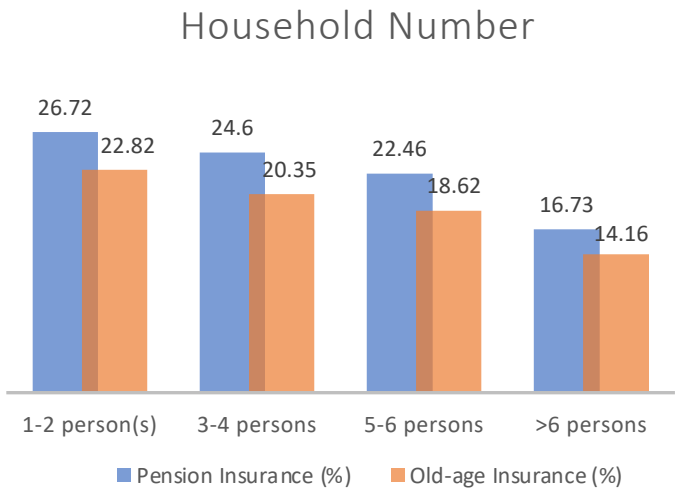
- wage earners pay a premium of 5.7% of the monthly income with the provision that 2% is borne by workers and 3.7% is borne by employers
- not wage earners > the nominal premium amount is based on a certain nominal amount of the participant's income (flexible)
- paid as a cash lump sum equal to the value of contributions paid plus net interest

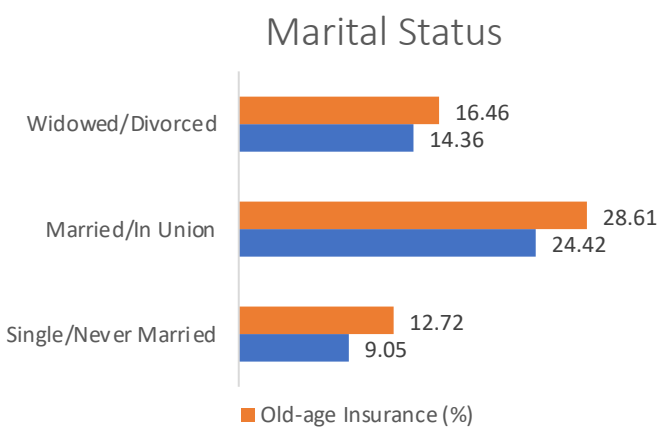
RESULTS AND DISCUSSION

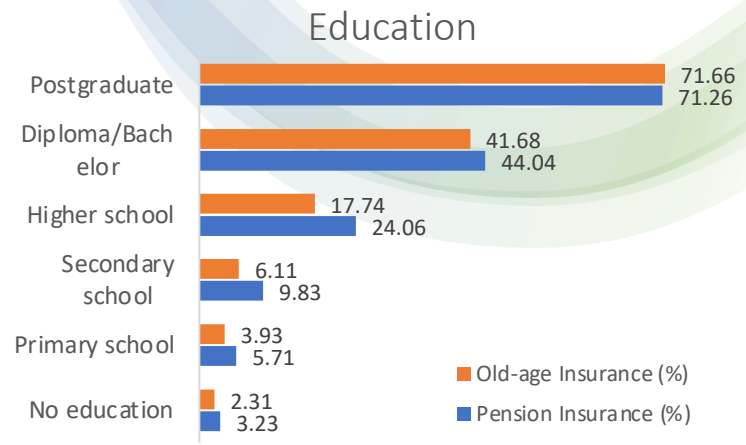


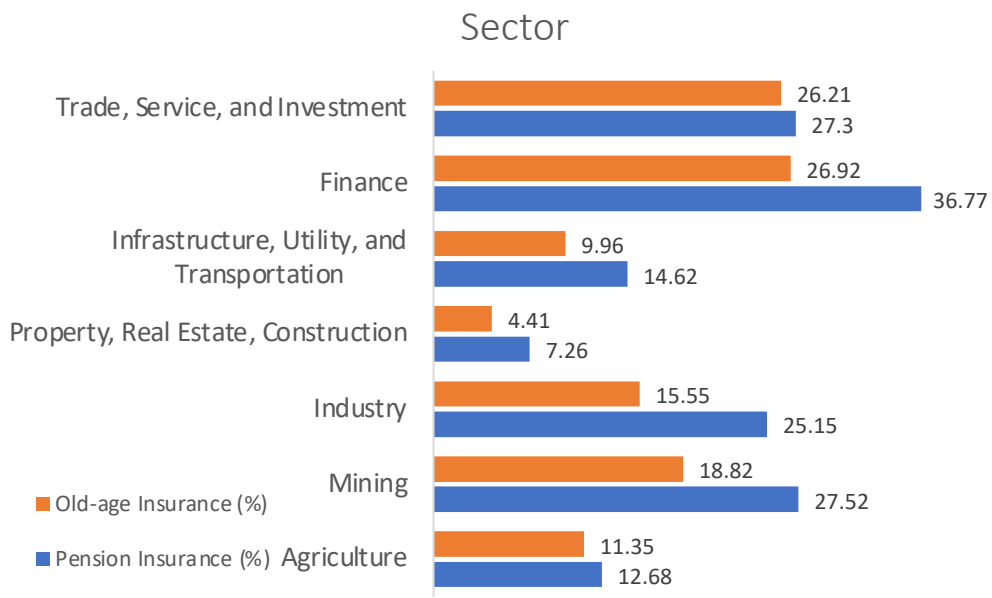












RESULTS AND DISCUSSION

Variables	Categories	Pension Insurance			Old-age Insurance		
		B	Exp(B)	Sig.	B	Exp(B)	Sig.
Residence	Rural						
	Urban	0.075	1.161	<0.001*	0.178	1.346	<0.001*
Gender							<0.001*
	Female						
	Male			<0.001*			
		0.256	1.255		0.266	1.249	
Household Number	1-2 person						
	3-4 persons	-0.264	0.777	<0.001*	-0.233	0.752	<0.001*
	5-6 persons	-0.309	0.717	<0.001*	-0.315	0.687	<0.001*
	>6 persons	-0.464	0.605	<0.001*	-0.501	0.546	<0.001*
Age group	Young (15-30)						
	Middle (31-45)	1.033	2.088	<0.001*	0.890	1.875	<0.001*
	Senior (46-60)	0.084	0.959	0.734	-0.027	0.791	0.037*
	Old (60+)	1.879	4.539	<0.001*	1.582	3.393	<0.001*
Sector	Agriculture						
	Mining	-0.516	0.738	<0.001*	-0.064	1.194	0.021*
	Industry	-0.509	0.766	<0.001*	0.000	1.275	<0.001*
	Property, Real Estate, Construction	-2.456	0.142	<0.001*	-2.111	0.226	<0.001*
	Infrastructure, Utility, and Transportation	-1.272	0.332	<0.001*	-1.005	0.458	<0.001*
	Finance	-0.595	0.553	<0.001*	-0.310	0.829	0.010*
	Trade, Service, and Investment	-0.315	0.626	<0.001*	-0.448	0.604	<0.001*
Education	No Education						
	Primary School	0.633	1.952	<0.001*	0.563	1.880	<0.001*
	Secondary School	1.353	3.986	<0.001*	1.324	4.022	<0.001*
	Higher School	2.809	15.598	<0.001*	2.653	14.366	<0.001*
	Diploma	4.012	50.177	<0.001*	3.700	38.837	<0.001*
	Postgraduate	4.948	123.161	<0.001*	4.577	89.808	<0.001*
Marital Status	Single						
	Divorced/Widowed	0.896	2.076	<0.001*	0.843	2.049	<0.001*
	Married/In Union	0.482	1.293	<0.001*	0.438	1.229	0.001*
Constant				<0.001*			<0.001*
		-5.216	0.008		-4.741	0.011	

The Binary Logistic Regression of the Retirement Insurance Programmes

- Urban employee are more likely to be members of retirement insurance because more urban employee are engaged in formal job which has a better access to social security
- Men are more likely than women to have retirement insurance. They typically earn more and allocate their income to future investments and medical expenses.
- In addition, workers with at least a primary school diploma are more likely to be members of these insurances because they are generally aware of the importance of retirement insurance.
- This insurance memberships are more prevalent among married/in-union workers. Compared to employees without families, those with families tend to be self-sufficient and concerned with their own and their families' welfare
- Older and middle-aged workers are more likely to be covered by retirement insurance than younger workers
- Workers with one to two family members are more likely to be covered by these insurances, because they only have few dependants.
- According to the old-age model, workers in the mining and industrial sectors have higher odds than those in agriculture, whereas workers in other sectors have lower odds than those in agriculture

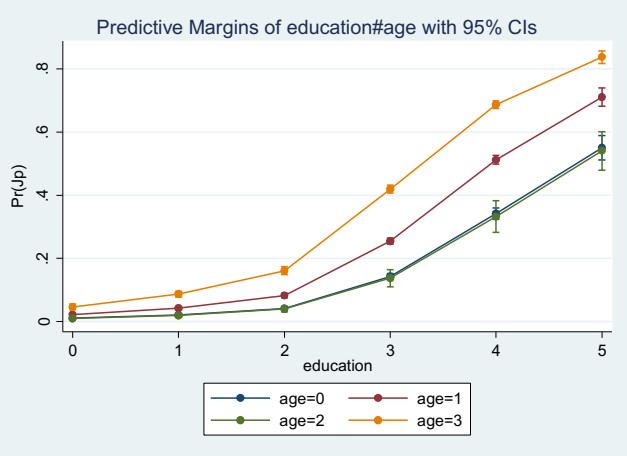
RESULTS AND DISCUSSION

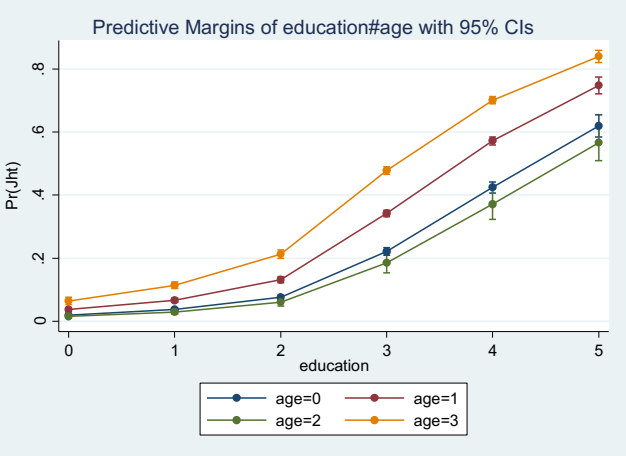
Pension Insurance

Education and Age

0: No education
1: Primary school
2: Secondary School
3: Higher School
4: Diploma/Bachelor
5: Postgraduate

0: Young (15-30)
1: Middle (31-45)
2: Senior (46-60)
3: Old (60+)





Old-age Insurance

Education and Age

Pension Insurance

Sector and Age

0: Agriculture
1: Mining
2: Industry
3: Property, Real Estate, Construction
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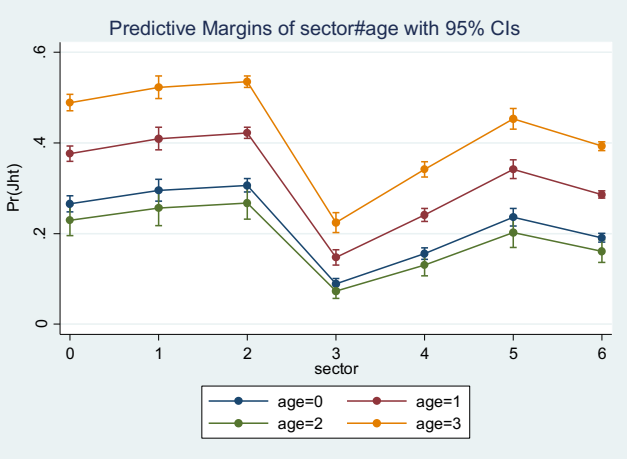
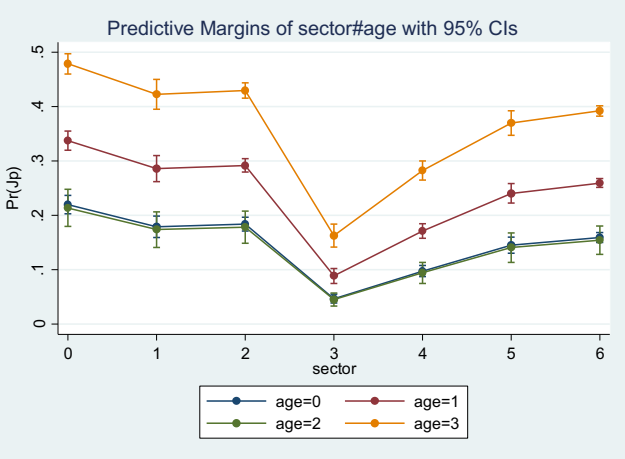




Old-age Insurance

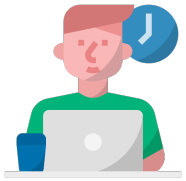
Sector and Age

When controlling for gender=male, residence= rural area, marital status = married

RESULTS AND DISCUSSION

How to Expand the Retirement Insurance Membership? Some Policy Implications

- The government has a strategy of forming Aware-Villages ("Desa Sadar") and recruiting Perisai Agents since 2017. Between 2017 and 2019, 675 Aware Villages and approximately 6.2 thousand Perisai Agents contributed to an increase of 1.1 million labor social security participants. As the organizer of this insurance program, BPJamsostek can increase the number of Aware Villages and Perisai Agents, particularly among community group/association leaders. It is possible to recruit agents from the forestry, agricultural, laborer, fisher, trade, and government offices/agencies sectors



- Future transformation > freelance system (short term contract) > government must develop a retirement insurance program and strategy tailored to this type of work

- A flexible retirement insurance system that takes into account the demographic diversity of Indonesia must be implemented. Differentiating premium payments based on workers' incomes, such as seasonal agricultural sector workers and freelancers with unpredictable incomes, is one form of insurance system reform.

- Dissemination of the significance of retirement insurance and the development of comprehensive and integrated programs. The information can be disseminated by BP Jamsostek agents, such as employment/relevant offices, partner hospitals, community health centers, and community leaders. In addition, local art and culture can facilitate socialization so that the local populace readily accepts it.

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