

What's Up With Subsidized Employment Social Security (PBI Jamsostek) in Indonesia?

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Indonesia promotes universal coverage for social security. For healthcare, it has a subsidized program for the poor, called the PBI program (Penerima Bantuan Iuran) or literally translated as a program for the beneficiary of government subsidy) in its National Healthcare Insurance or the Jaminan Kesehatan Nasional (JKN).

Such subsidies for JKN are provided by the state budget and by the provincial or district governments' budgets. But there is yet such a subsidy for employment social security (Jamsostek) that could protect the

needy against work accidents, death, and old-age.

What is the update on the national efforts to own a PBI program for Jamsostek, or the subsidy program for employment social security?

Since 2021, efforts have been underway to implement PBI Jamsostek, which was in line with Law No. 40 of 2004 on the National Social Security System (SJSN). Article 14, paragraph 1, mandates that “the government gradually register the

beneficiaries of the government's subsidy as participants in the BPJS". Furthermore, Article 17, paragraph 4, stipulates that social security contributions for the poor and those unable to pay are covered by the government. The Coordinating Minister for Human Development and Culture, Muhadjir Effendy, stated that the government is exploring the suitable PBI Jamsostek program for informal sector workers. This announcement was made during the 2023 Paritrana Award ceremony at the Vice Presidential Palace.¹

The PBI Jamsostek initiative was also included in the 2020-2024 National Medium-Term Development Plan (known as the RPJMN), aimed at enhancing social security coverage for the entire population. By 2024, the target is to cover 20 million poor and underprivileged workers.² Local governments have shown great enthusiasm, allocating regional budgets to support the implementation of the PBI

program.³ The government appreciates the efforts of district and provincial governments, the village authorities, and the business units who have supported the implementation of greater coverage of the Jamsostek program through the Paritrana Award.⁴

The urgency of PBI Jamsostek is clear. First, PBI Jamsostek can bridge the gap of coverage for informal sector workers, which constitutes 60.12% of the total workforce in Indonesia.⁵ The informal sector in Indonesia is highly diverse and largely consists of low-income, vulnerable workers who face significant challenges in accessing social security due to the

¹ BPJS Employment Official Site. Dorong Universal Coverage, Pemerintah Kaji Skema PBI Jamsostek. 20 October 2023. See <https://www.bpjsketenagakerjaan.go.id/berita/28610/Dorong-Universal-Coverage,-Pemerintah-Kaji-Skema-PBI-Jamsostek>

² BPJS Employment Official Site. Kajian aturan PBI jamsos ketenagakerjaan ditargetkan rampung tahun ini. 11 October 2021. See <https://www.bpjsketenagakerjaan.go.id/berita/27725/Kajian-aturan-PBI-jamsosketenagakerjaan-ditargetkan-rampung-tahun-ini>

³ Media Center. Pemko Batam Terus Perjuangkan Jaminan Kesehatan Bagi Masyarakat. 25 May 2022. See <https://mediacenter.batam.go.id/2022/05/25/pemko-batam-terusperjuangkan-jaminan-kesehatan-bagi-masyarakat/>

⁴ BPJS Employment Official Site. BPJS Ketenagakerjaan Tanah Bumbu anugerahi Paritrana Award kepada dua perusahaan. 2023. See <https://www.bpjsketenagakerjaan.go.id/berita/28579/BPJS-Ketenagakerjaan-TanahBumbu-anugerahi-paritrana-award-kepada-dua-perusahaan>

⁵ Official site of the Indonesian Parliament. Pekerja Informal Dominasi Angka Pekerja, Kurniasih Dorong Hadirnya PBI BPJS Ketenagakerjaan. 2023. See <https://www.dpr.go.id/berita/detail/id/46160/t/pekerja%20Informal%20Dominasi%20Angka%20Pekerja,%20Kurniasih%20Dorong%20Hadirnya%20PBI%20BPJS%20Ketenagakerjaan#:~:text=Pekerja%20Informal%20di%20Indonesia%20mendominasi,sebanyak%2055%2C29%20juta%20orang.>

requirement of regular contributions.⁶ Second, PBI Jamsostek can respond to the specific needs of those left behind in informal work. Retno Pratiwi, Director of Social Security for Workers at the Ministry of Labor, highlighted the vast, extensive, and diverse nature of Indonesia's informal sector, making it challenging yet crucial to reach. She noted that jobs such as market traders and micro, small, and medium enterprises (MSMEs) workers live on daily earnings, necessitating a tailored approach for a social security outreach to them. Similarly, Zainudin, Director of Membership at BPJS Employment, emphasized the significant size of the migrant worker sector. He pointed out the need for a specialized approach to cover the migrant workers given the complexity of migrants' jobs and work relations.

Unfortunately getting the commitment is less clear than the urgency. First, there remains no consensus among government agencies on the size of the state budget allocated for PBI Jamsostek. There are two main debates on this matter within the government: the appropriate mechanism for budget allocation given the existing challenge to collect data (by name and by address) on the needy individuals, which is crucial for ensuring that the budget reaches the target groups. Second, there is no

⁶ Kadarmanto, "Informal Agriculture Sector in Indonesia," in *Poverty, Inequality, and Growth in Developing Countries*, by Atsushi Maki, 1st ed. (London: Routledge, 2015), p.75 <https://doi.org/10.4324/9781315696058-4>.

consensus yet on who would be the "Authorized Budget User" (Kuasai Pengguna Anggaran) or the designated ministry to channel the allotted state budget. The Authorized Budget User must ensure that every Rupiah would reach the correct individual and that the ministry follows every procedure for audit of the budget use. Given the complexity of such a process, the legal consequences of any mistakes, and the challenge to identify the correctly needy individuals, ministries choose to avoid taking up such responsibility. Although the Ministry of Manpower is expected to act as the Authorized Budget User for PBI Jamsostek, it has so far declined to take up this role.

We do expect that the inauguration of the new President Prabowo Subianto in October 2024 would accelerate the process of Indonesia to have PBI Jamsostek. But until that is done, the Presidential Instruction No. 2/2021 remains relevant, which is a presidential directive to most ministries, provincial and district governments to allocate state budgets to broaden Jamsostek membership. Moreover, Presidential Instruction No. 4/2022 calls on governments of all levels to accelerate poverty eradication by providing quality services in education, health, employment, and income support.

Highlights

- In 2023, there were 3.3 million Indonesians living in extreme poverty.⁷ This is a consequence of structural poverty, which prevents individuals from improving their socioeconomic status on their own, thus requiring external assistance from the government through Social Security.
- The two Presidential Instructions mentioned above (Presidential Instruction No. 2/2021 and No. 4/2022) does provide rooms to subsidize the poor's membership to Jamsostek, but the space to do so is ad hoc, that is relying on the voluntary gesture of government officials.
- Until this edition of The Pulse is published, President Prabowo Subianto has yet to make any statement on Jamsostek or PBI Jamsostek.

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⁷ Mohammad Teja. CAPAIAN TARGET KEMISKINAN EKSTREM 0%. Pusat Analisis Keparlemenan Badan Keahlian Setjen DPR RI. 2023. See https://berkas.dpr.go.id/pusaka/files/isu_sepekan/Isu%20Sepekan---III-PUSLIT-Januari2024-242.pdf

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