



# Social Protection to Reduce Poverty in Indonesia

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# Outline

Social Protection Policy in Indonesia

Social Protection and Poverty Reduction

Challenges and Way Forward

# INDONESIA'S LONGTERM DEVELOPMENT PLAN



## Direction in Social Protection Development (Law No. 17/2007 on Long-term National Development Plan, 2005-2025)

### TO CREATE MORE EQUITABLE AND FAIR DEVELOPMENT

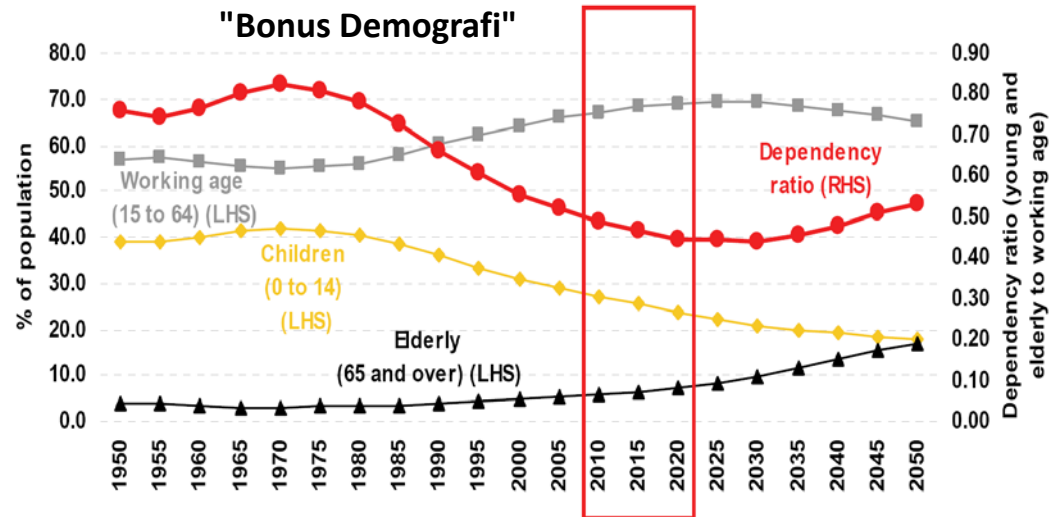
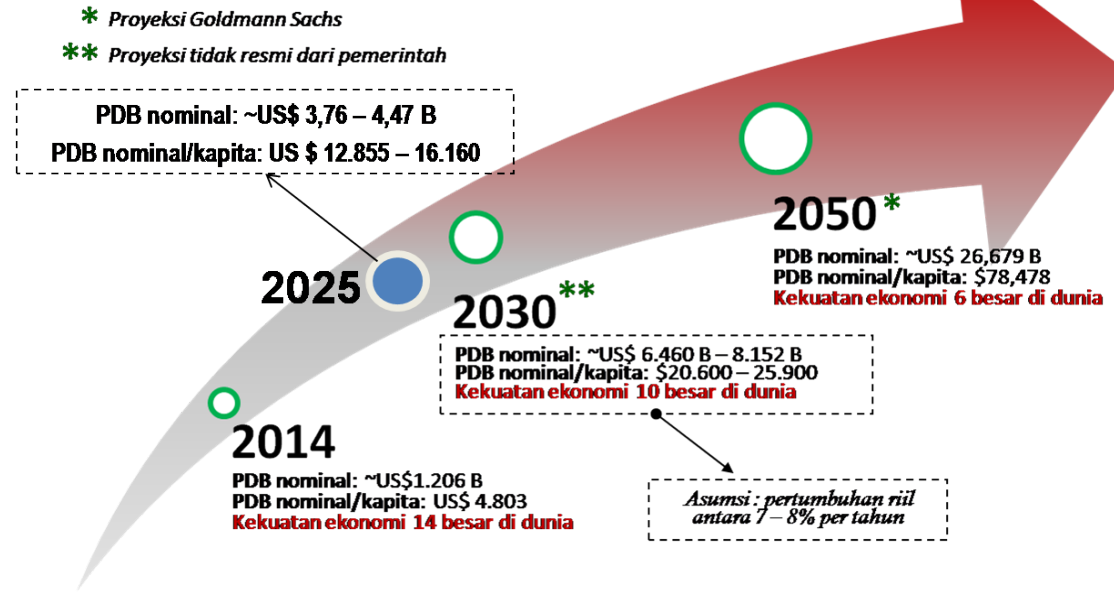
Social protection and security, which need to be supported by law and regulations, funding, and Single Identity Number (NIK), are developed to provide comprehensive protection and ensure people's rights on social basic services.

Changes in Demographic Structure brings Indonesia to experience Demographic Bonus between 2010-2030. Some caveats:

- Triple burden on population
- Indonesia is projected to enter aging society in 2020 (around 71,6 million elderly in 2050).

Around 28 million people (10,96%) live under national poverty line, while close to half of population is vulnerable.

**Will we getting rich before getting older?**



# COMPREHENSIVE SOCIAL PROTECTION

*A set of policies and strategies to manage risks of all population*

## Objectives

Preventing people from falling into (further) poverty and vulnerabilities	Protecting the poor and the vulnerable from risks and mitigating the pressures	Promotive - support investment, enhance income & capabilities	Transformative - to address concerns of social equity and exclusion
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## Risks and Vulnerabilities

<b>Individual Life Cycle:</b> Hunger and malnutrition, injury, illness, disability, old age, death.	<b>Economic:</b> Unemployment, underemployment, low and irregular incomes, economic crises.	<b>Social:</b> social disaster, neglected, housing insecurity, land tenure.	<b>Environment:</b> natural disasters, drought, flood, fire, man-made disaster.
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## Strategies

<b>Social Insurance</b> <ul style="list-style-type: none"> <li>• Health Insurance</li> <li>• <i>Minimum Guaranteed Income</i></li> <li>• Crop Insurance</li> </ul>	<b>Social Welfare</b> <ul style="list-style-type: none"> <li>• Basic social services</li> <li>• Cash transfer (conditional) and <i>in-kind</i> assistance</li> <li>• Capacity building</li> <li>• Supporting program (<i>targeting, safe-guarding, Early Warning System</i>)</li> </ul>	<b>Labour Market Program</b> <ul style="list-style-type: none"> <li>• Employment generation</li> <li>• Skills development and training</li> <li>• Labour and trade policies</li> <li>• Agricultural support</li> </ul>	<b>Social Safety Nets</b> <ul style="list-style-type: none"> <li>• Emergency assistance</li> <li>• Price subsidies</li> <li>• Food subsidies</li> <li>• Emergency employment</li> <li>• Retraining and emergency loans</li> </ul>
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# SOCIAL PROTECTION IN INDONESIA

## Social Assistance

- **Non contributory**, mainly funded by tax
- **Targeted** for specific population group (poor population, elderly, disabled people)
- Mainly conducted by government in central and local level
- Aiming to protect people as well as to **REDUCE** poverty and inequality

*Law No. 11/2009 on Social Welfare*

*Law No. 13/2011 on Intervention for Poor Population*

*Law No. 4/1979 on Child Welfare and Law No. 23/2002 on Child Protection*

*Law No. 13/1998 on Elder People Welfare*

*Law No. 4/1997 on Disabled People Welfare*

## Social Insurance

- **Contributory based**, limited subsidy is provided by government
- **Mandatory** for all people
- Depending on the policy, could be conducted by government, specific agencies, or private insurance companies
- Aiming to assist people in managing their risks and to **PREVENT** from poverty

*Law No. 40/2004 on National Social Security System (SJSN)*

*Law No. 24/2011 on Social Security Implementing Agency (BPJS)*

## Inclusiveness as enabling environment

*UUD 1945 (Indonesian Constitution)*

*The nation takes care of poor people and neglected children*

*The nation develops national social security system for all people*

*Law No. 17/2007 on Long Term Development Planning*

*Social protection is managed, arranged, and developed to fulfill people's basic right.*

# CURRENT SOCIAL PROTECTION PROGRAMS BASED ON LIFE CYCLE



## Age-Specific Targeted Social Protection

- CCT: **children in 3.5 M HH**
- Scholarship: **11.1 M children**
- Other Social Services: **148 K children**

<p><b>Social Assistance</b></p> <ul style="list-style-type: none"> <li>• Social Pension for Neglected Elderly</li> <li>• Social Assistance for Heavily Disabled &amp; neglected children</li> <li>• SMEs empowerment small credits</li> </ul>	<p><b>Social Insurance</b></p> <ul style="list-style-type: none"> <li>• Old age savings contributors, work accident, and life insurance: <b>15.4 M people</b></li> <li>• Pension active contributors: <b>5.4 M people</b></li> </ul>
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<p><b>Social Assistance</b></p> <ul style="list-style-type: none"> <li>• Social Pension: <b>26.5 K elderly</b></li> <li>• Other Social Services: <b>22 K elderly</b></li> </ul>	<p><b>Social Insurance</b></p> <ul style="list-style-type: none"> <li>• Pension beneficiaries: <b>2.7 M people</b></li> </ul>
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## General Targeted Social Protection

Child (0-15)

Youth (16-24)

Adult (25-59)

Elderly (60 and above)

**Social Assistance**

- Subsidized Rice **15.5 M HH**
- Unconditional Cash Temporary transfers during economical shock **15.5 M HH**
- Social Services for Disabled People **52 K disabled people**

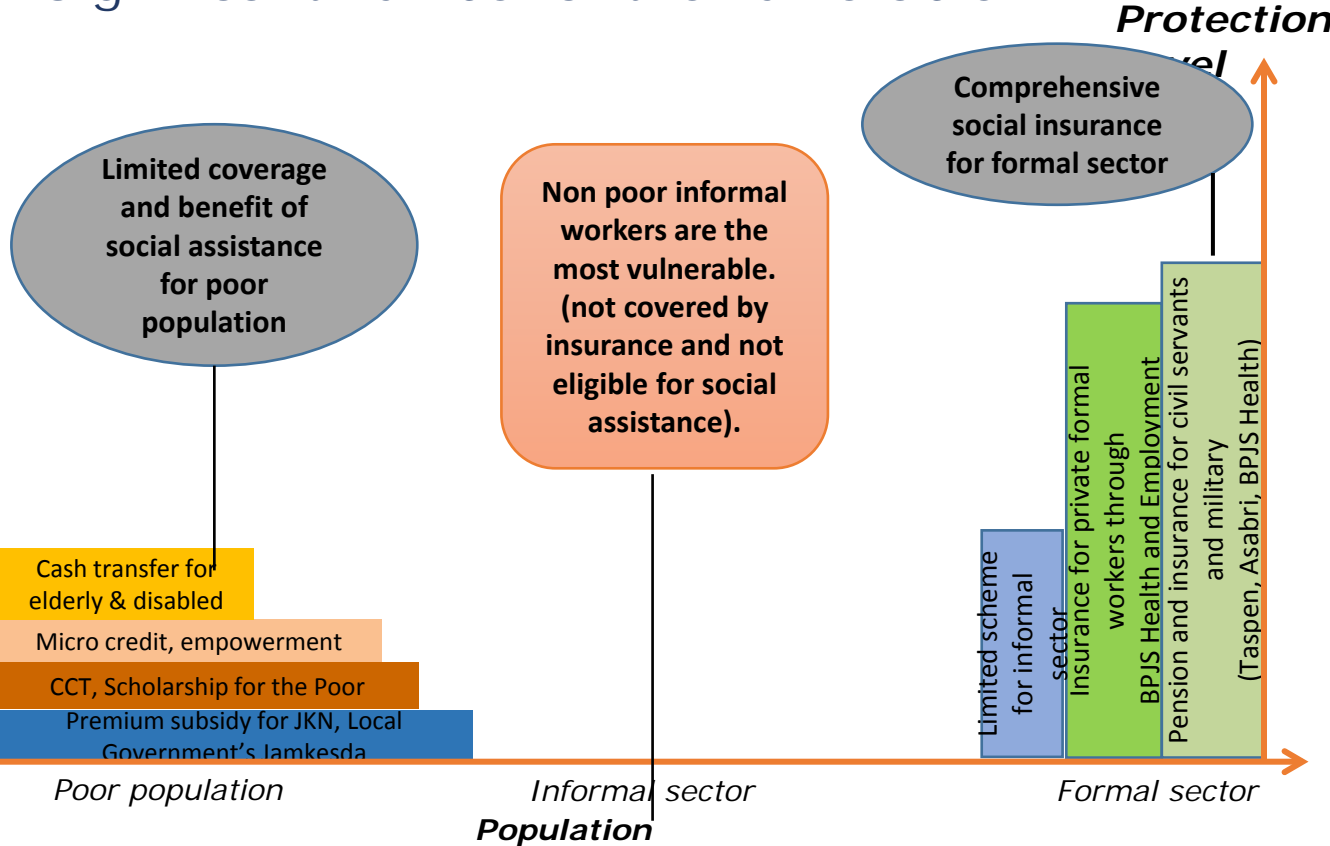
**Social Insurance**

- National Health Insurance **141.1 M people**
- Local Government Health Insurance **40 M people**
- Health Funds and Private Insurance **19.8 M people**

Source: Program documents

# SOCIAL PROTECTION COVERAGE

Significant number of the vulnerable

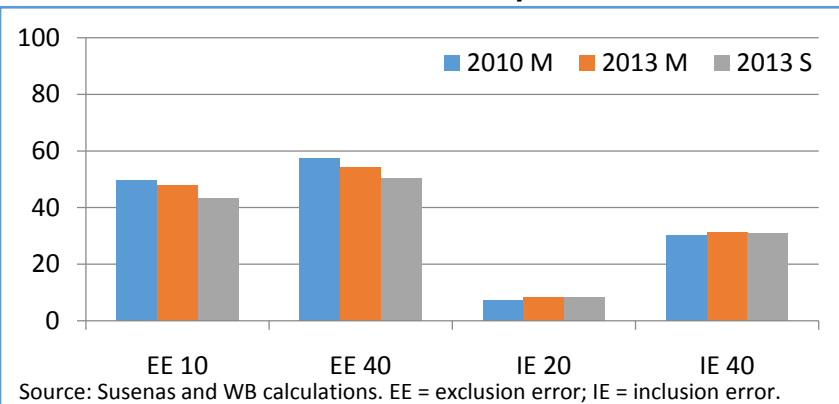


The “middle missing” informal sectors into health insurance, due to:

- **Financial constraint** (Acharya et al., 2012; Gargand Karan, 2009; Peters et al., 2002; Pradhan and PrescoL, 2002),
- **Costs of premium and enrollment** (locason Thornton et al.(2010).

Too expensive premium for informal sectors and unfair premium over regions (The 3<sup>rd</sup> class premium 0.33 health exp.of informal HH in Jakarta but 2.64 health exp. of informal HH in NTT (Hartanto, LPEM-UI, 2014).

- The main obstacle for informal sectors to join the program is a **lack of insurance literacy** (Hartanto, 2014) and **civil administration problem** (J-PAL, preliminary finding, 2015).

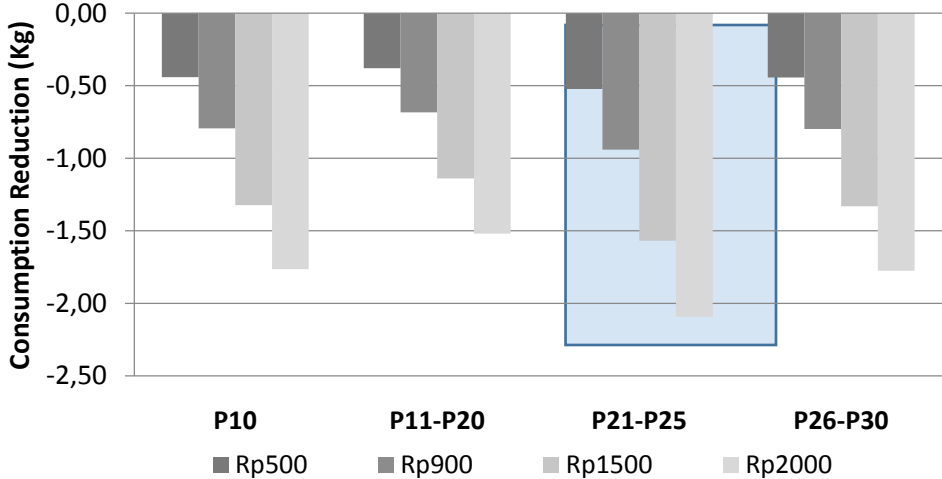


*Jamkesmas*, inclusion and exclusion errors, 2010 & 2013

Targeting the poorest 40% has improved since 2010, but still many are not covered yet and inclusion errors are persistently high.

# MACRO INSTABILITY (INFLATION) IMPACT TO THE POOR AND VULNERABLE

Impact of Rice Price Increase to Each Income Group

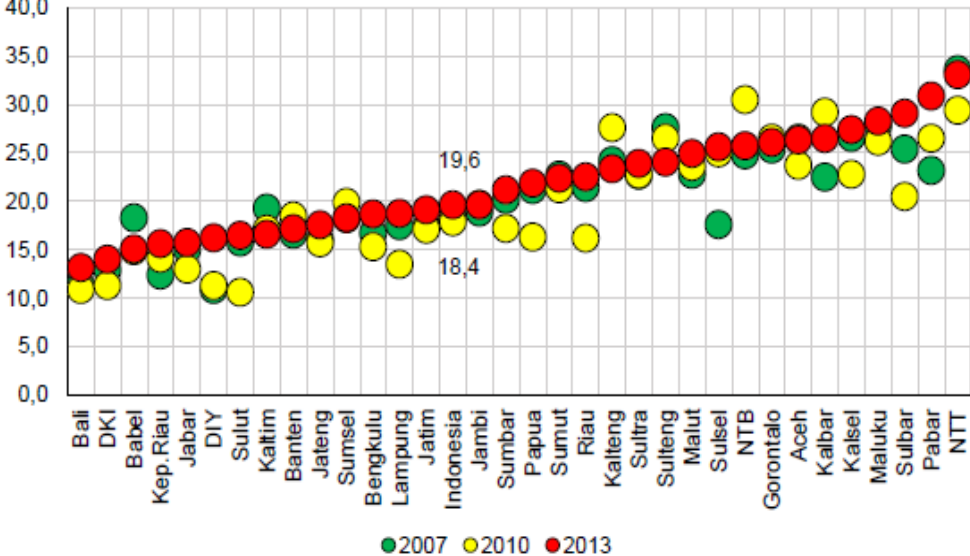


- Rice price increase hit most to a group of 25 percentile lowest income group. Every Rp. 500/kg increase will reduce rice consumption by 0,52 kg/month. Higher increase in price, i.e. Rp900 - Rp2.000/kg will lower HH consumption up to 1 kg - 2,1 kg/month.
- There is rice consumption reduction of poor HH between 2011 (38kg/month), now become (Susenas 2013) → P10 = 25,7 kg                      P25 = 26,1 kg  
P20 = 26 kg                                      P30 = 26,3 kg

Notes:

- *Konsumsi gandum mencapai 20 kg/kapita, kedua setelah beras, walau Indonesia tidak memproduksi gandum.*
- *Di sisi lain, konsumsi pangan lain, terutama protein dan vitamin sangat rendah, jauh lebih rendah dari konsumsi rokok.*
- *Tingkat gizi kurang, terutama balita (sekitar 20%), dan anak stunting masih 37%.*

Prevalensi Status Gizi Balita, 2007, 2010, 2013



- Gizi buruk kurang sangat tinggi di NTT, Sulbar, Papua Barat
- **Perlu upaya peningkatan pangan nutrisi, terutama bagi penduduk miskin.**

Sumber: Riskesdas 2013, Badan Litbang Kemenkes (2014)



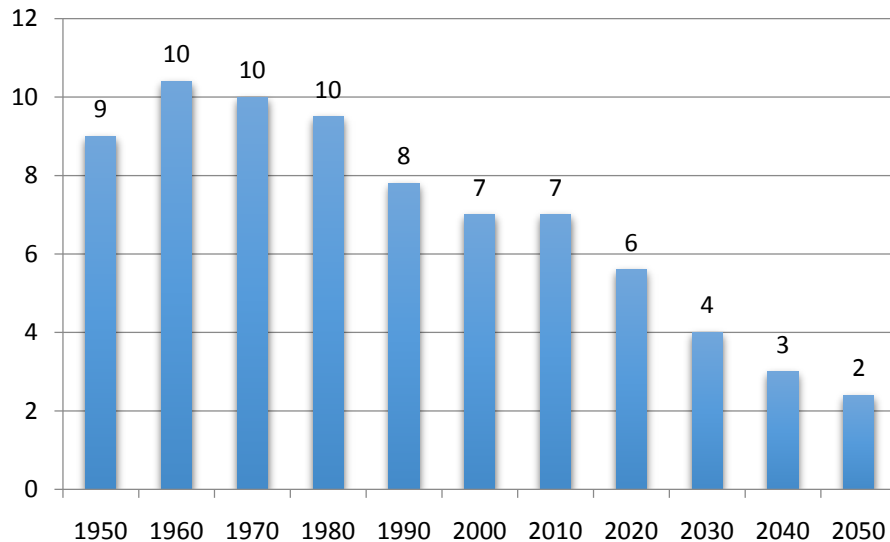
# ELDERLY CONDITION

1. Current number of elderly is 18 million (Population Census 2010) or 22 Million people (Civil Registration, 2015).
2. Women elderly is higher (9,7million), yet tend to have prolong illness. Non Communicable Diseases (NCDs) account for most of deaths, which most of these NCD deaths are older people.
3. Poverty is the biggest threath for elderly → no saving, no pension, and unhealthy
4. Ageing has started in province with high reduction of fertility rate (successful Family Planning), like in Jogja and East Java.
5. Support Ratio in 2010 is 7 (7 workers support 1 elderly). Reduction of support ratio will bring fiscal burden if we don't provide proper social insurance.

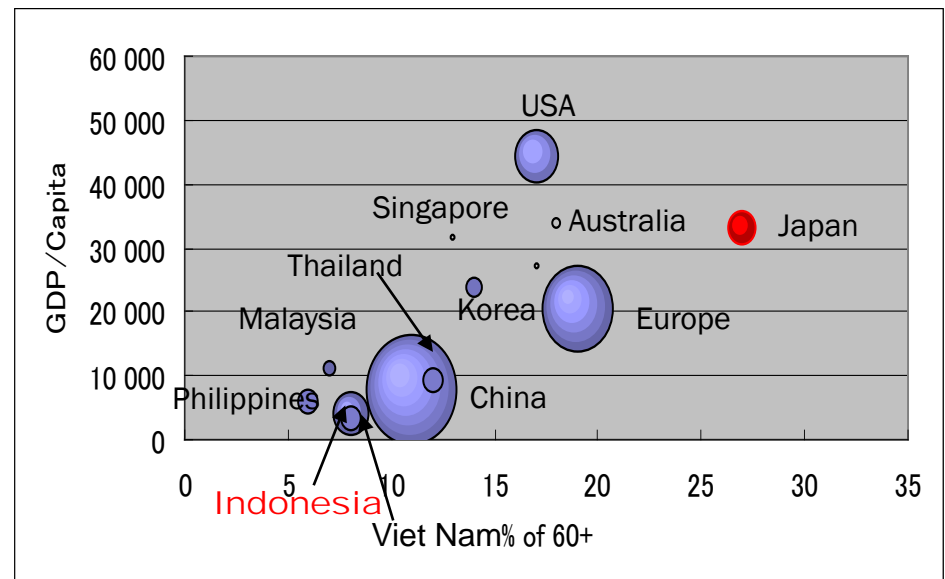
Age 60+	Life Expectancy (yrs)	Healthy life Expecancy/ HALE (yrs)	Loss of health life (yrs)	Unhealthy life expectancy as a % of life expectancy (yrs)
Men	15,9	10,9	5	6,6
Women	17,8	11,3	6,5	8,4
Total	16,9	11,1	5,8	7,5

Sumber: WHO,2006 dan Sri MA

**SUPPORT RATIO**



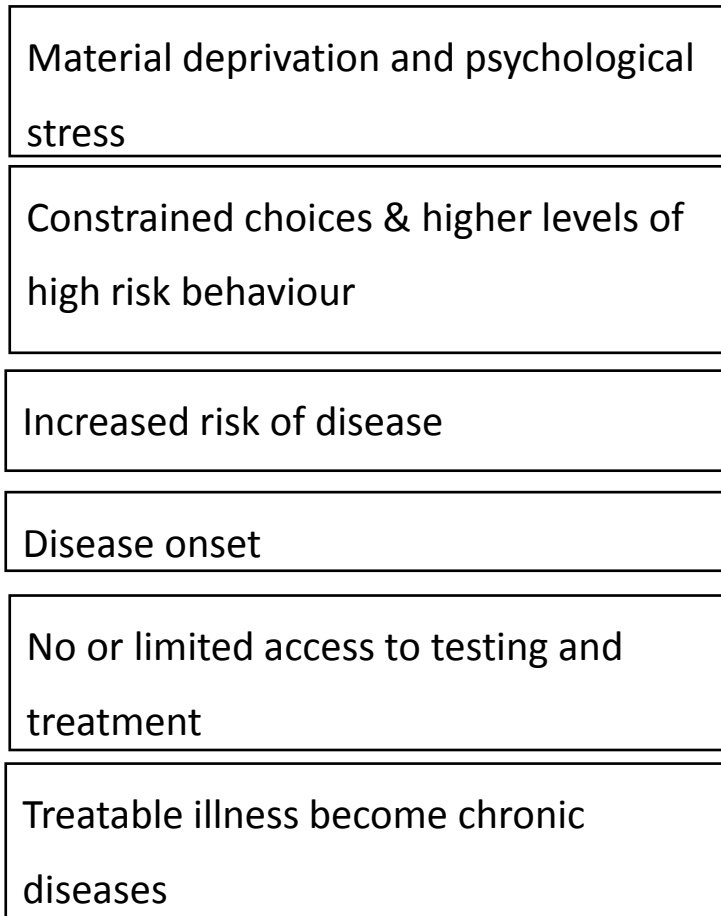
**GPD PER KAPITA VS PROPORSI LANSIA DI INDONESIA DAN BEBERAPA NEGARA LAINNYA**



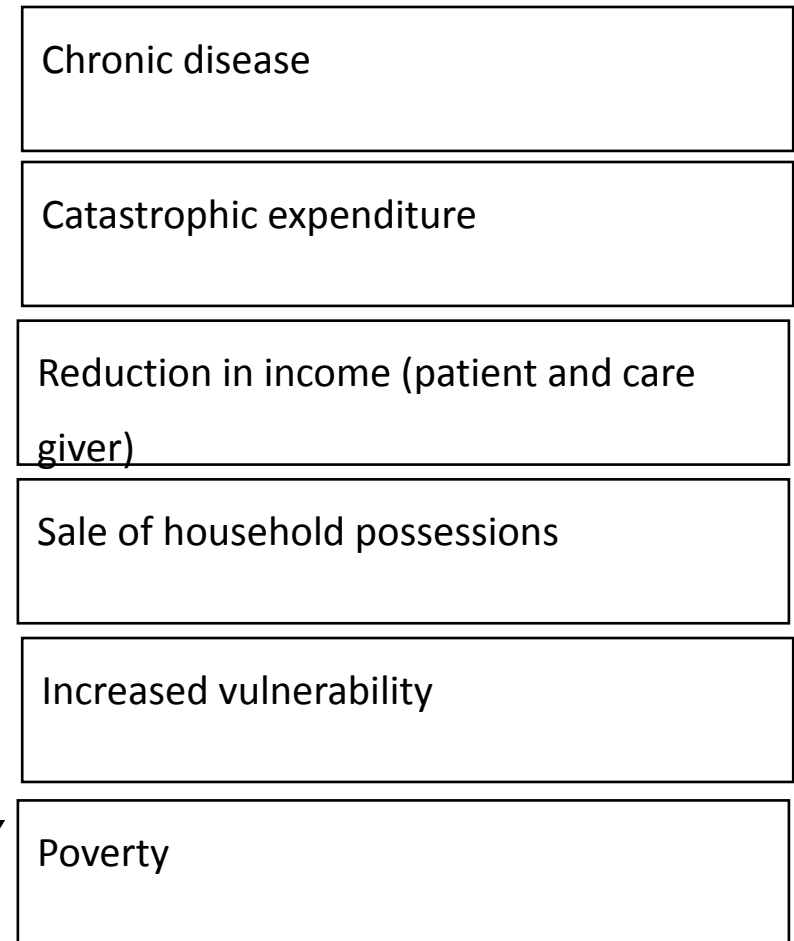
Source : World Health Statistics 2008 in Ogawa &Toshihiro (2009)

# RELATIONSHIP BETWEEN CHRONIC DISEASES AND POVERTY

## From Poverty to Chronic Disease

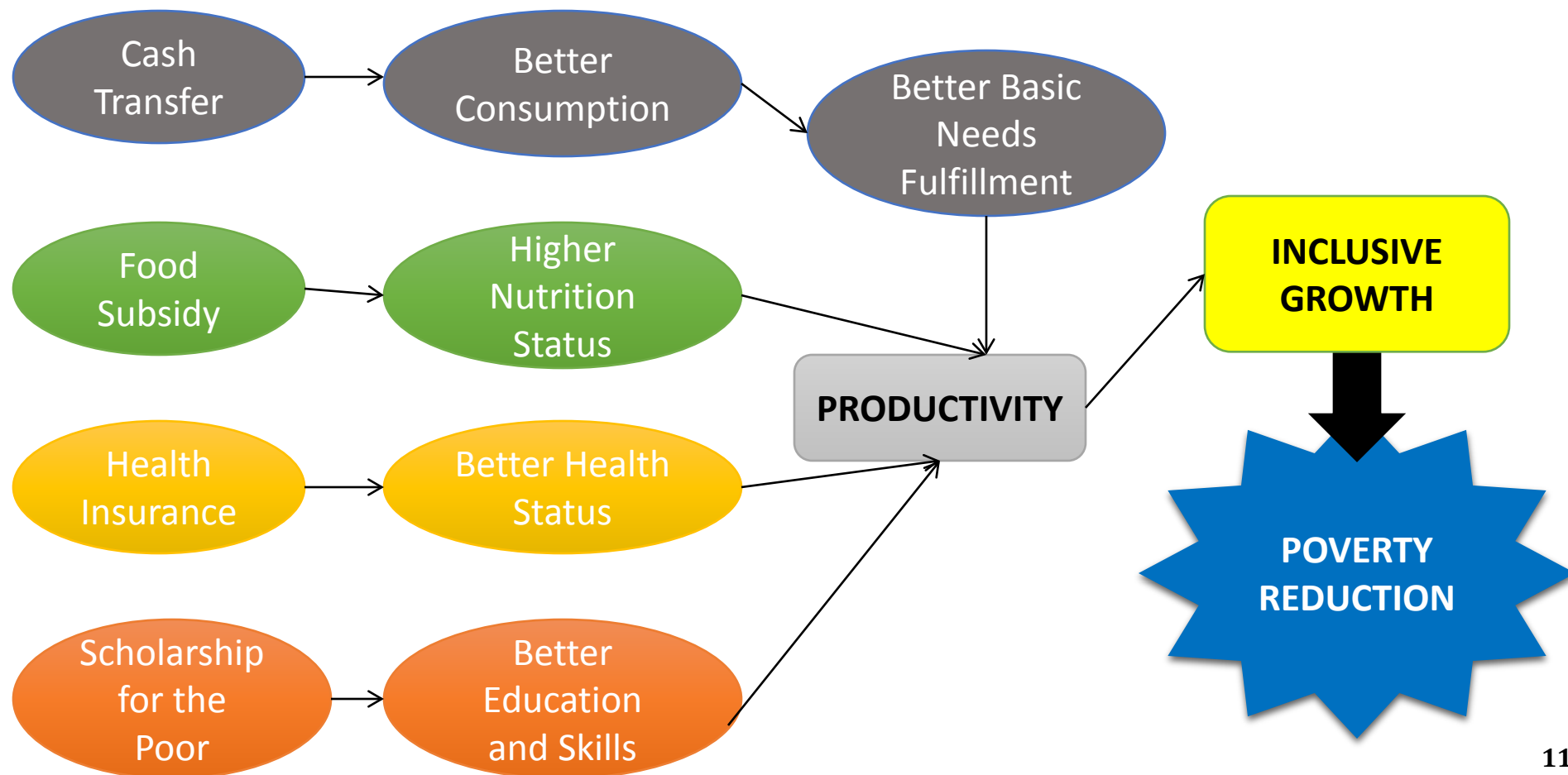


## From Chronic Disease to Poverty



# SOCIAL PROTECTION AND POVERTY

Social protection is a necessary condition for a more **inclusive and equitable economic growth**. It **enhances the capacity** of poor and vulnerable groups to **escape from poverty**, and support the whole population to **better manage risks and shocks** (OECD).



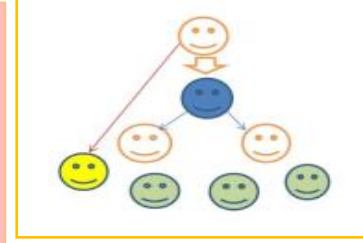
# IMPACT OF INDONESIA'S CCT/PKH

PKH provides cash transfer to 3.5 million very poor families in all provinces in Indonesia. Beneficiaries have to comply with PKH's conditions, which include accessing health and education facilities and services.



## EDUCATION

- ✓ Reduced drop out rate in elementary school for about 1,1%.
- ✓ Increased gross participation rate in elementary school for about 0,8% and in secondary school for about 6,1%



## SPILLOVER



## HEALTH

- ✓ Increased birth delivery by nurse/medical staff (6,1%) and at health facilities (4,3%)
- ✓ Increased proportion of child having complete immunization (4,5%) and routine check up to public health facilities (0,8%)

- ✓ Increased birth delivery by nurse/medical staff, birth delivery at health facilities, complete immunization and routine check up of HH who are not PKH recipients.
- ✓ Increased gross participation rate of elementary and secondary school in PKH's subdistricts



## CHILD LABOR

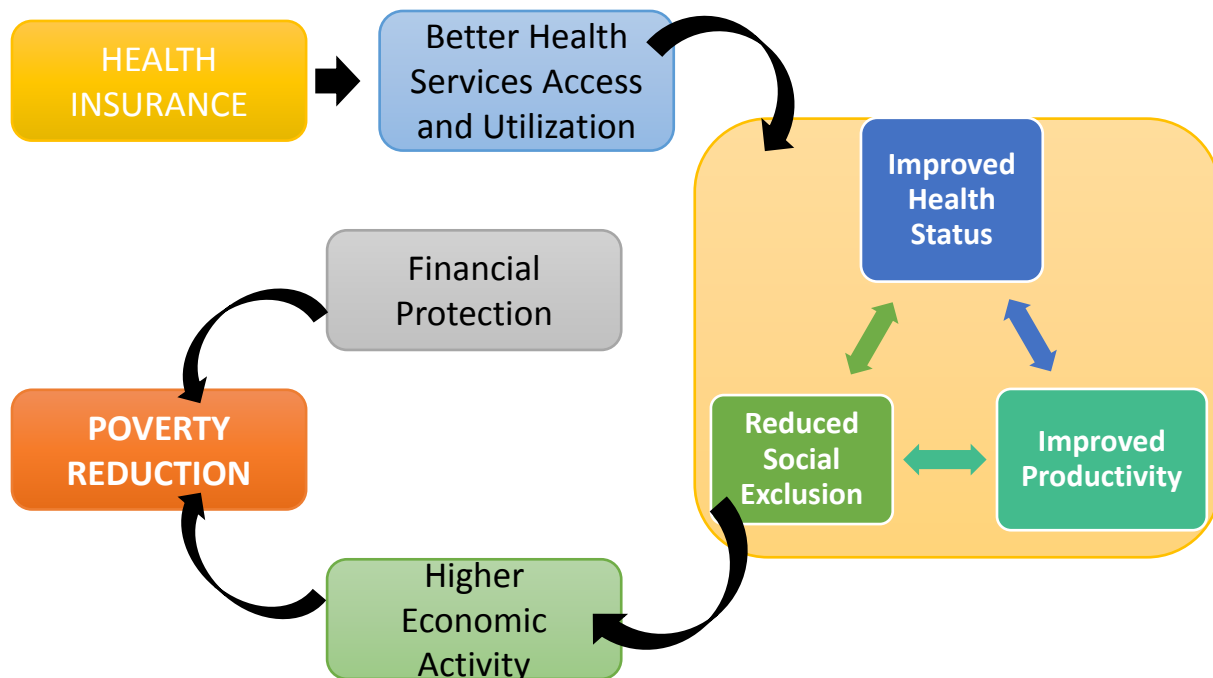
- ✓ Reduced child labor for about 1,3%

- ✓ Increased HH spending/capita by 3,3%.
- ✓ 3,4% of it was used for food, and 0,9% of it for high protein and nutrition



## CONSUMPTION

# HEALTH INSURANCE AND POVERTY REDUCTION



## Evidence: JKN Potential Impact to Poverty

- Bappenas and ADB microsimulation study using Susenas core and panel, 2011 and 2012.
- With coverage of 36% (existing condition 2011-12), JKN is expected to **prevent poverty by 4.4%** (using poverty line). When only non food poverty line is used, the impact is even higher (8.3%).
- Higher JKN coverage should bring higher impact of poverty prevention.

	Budget Share z, 40%			% poverty point changes	
	Uninsured	JKN	Private	JKN	Private
<b>OOP health as share of total</b>					
<b>Head count (H)</b>	10.36%	5.97%	9.15%	<b>4.39</b>	1.21
Overshoot (O)	1.86%	0.89%	1.49%	0.97	0.37
Mean positive overshoot (MPO)	17.97%	14.96%	16.31%	3.01	1.66
<b>OOP as share of nonfood</b>					
<b>Head count (H)</b>	24.39%	16.10%	15.35%	<b>8.29</b>	9.04
Overshoot (O)	5.99%	3.48%	3.03%	2.52	2.97
Mean Positive overshoot (MPO)	24.59%	21.60%	19.73%	2.99	4.86

# CHALLENGES

## • Social Assistance

### • Coverage

- Coverage for several programs is still limited. Especially for social services and transfer for elderly, disabled people, and indigenous community

### • Benefit

- Compared to international experience, the benefit amount of social protection programs in Indonesia is still limited.
- Standardization is needed to improve the quality of social services.

### • Implementation

- Program integration and coordination is needed, especially on targeting issues, to improve effectiveness and efficiency.

## • Social Insurance

### • Coverage

- Difficulty to expand coverage on informal sector.
- Myopia, as well as, lack of knowledge and familiarity on social insurance scheme, are the main constraints.

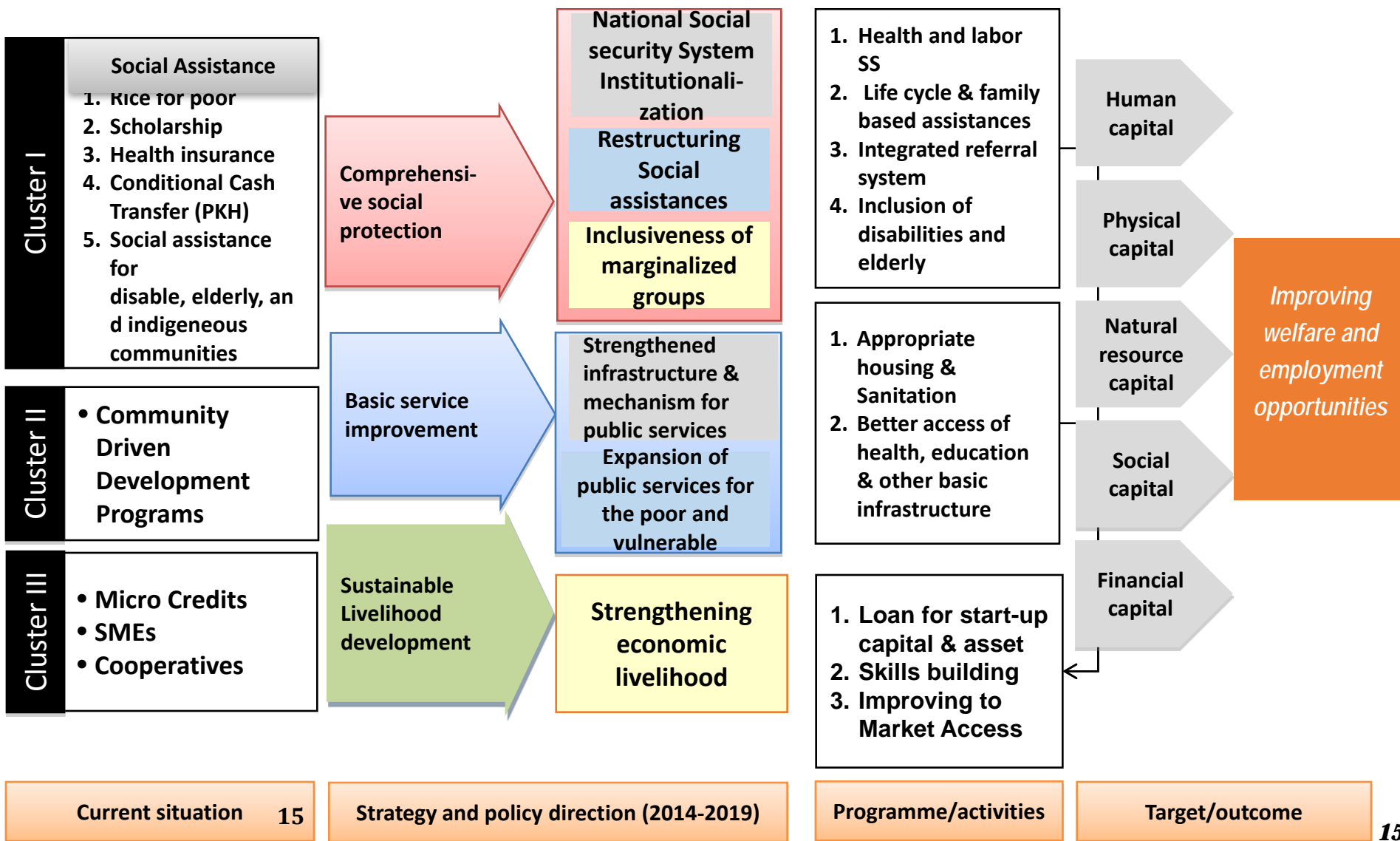
### • Service Availability and Quality

- Not all health service providers are BPJS Health partner, thus service availability is limited.
- Service quality differentiation between JKN and non-JKN members still happens. JKN members tend to receive lower service quality.

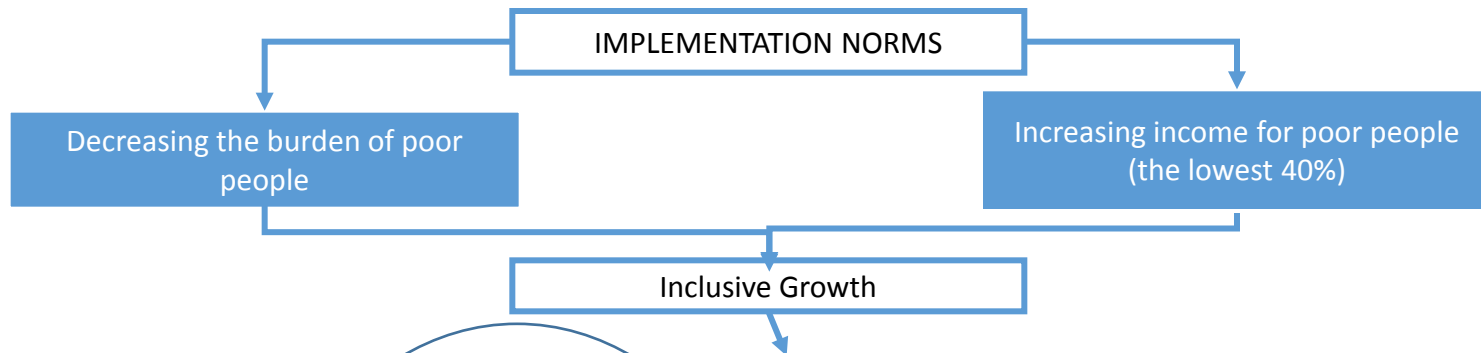
### • Financial Sustainability

- Difficulty to cover informal sector and to collect premium increase the financial risk of the system.
- Tariff and premium need to be reviewed to improve financial situation.

# THE WAY FORWARD: A COMPREHENSIVE VIEW ON SOCIAL DEVELOPMENT



# DECREASING INEQUALITY



Building Strong Foundation for Economy Growth to Achieve High Quality Job Opportunities	Implementing Comprehensive Social Protection	Developing Sustainable Livelihood (Family Development Welfare)	Expansion and Improving Basic Service
Expanding manufacturing sector to widen the new job opportunities with high quality	Re-structuring household-based social assistance and expanding the coverage through: <ul style="list-style-type: none"> <li>• Kartu Indonesia Sehat (KIS),</li> <li>• Kartu Indonesia Pintar (KIP);</li> <li>• Kartu Keluarga Sejahtera (KKS)</li> </ul>	Developing featured sector and local potency	Improving the provision of infrastructure and basic services
Supporting the regulations that encourage positive investment climate	Expanding the coverage of National Social Security System (SJSN) for vulnerable people and informal worker	Expansion of access to capital and financial service via strengthening microfinance system	Counseling poor people to basic right and basic service
Fixing the taxation system	Reinforcing social institutionalization (minimum service standard, integrated referral system, data, etc), as well as inclusion of disabilities and old age.	Developing capacity and skill of underprivileged people through improving the quality of entrepreneurial assistance	Developing and strengthening monitoring and evaluation system related to basic service provision

Optimizing the unproductive land use for underprivileged people



# SOCIAL PROTECTION STRATEGY IN RPJM

## To improve protection, productivity, and basic rights fulfillment.

- Developing a more integrated social assistance
- Including **social transfer and services**; family capacity and economic empowerment; and financial inclusion
- Improving inclusiveness for disabled and elderly
- Improving programs implementation by strengthening institutions and coordination
- The development of **integrated referral system**

## To improve coverage and implementation of National Social Security System.

- Expanding membership to formal and informal workers
- Through better **socialization; innovation and improvement in registration and premium collection**; and the development of partial subsidy scheme.
- Integration with other social protection schemes
- Integration with health insurance schemes conducted by local government (Jamkesda)
- Improvement in services and benefits
- Expanding **schemes for population groups with specific needs**, such as disabled and elderly
- Improvement in institutional capacity and programs management
- The development of **integrated monitoring and evaluation system**

### Related targets:

- Poverty rate of 7-8%
- Gini coefficient of 0.36
- Unemployment rate of 4-5%
- National Health Insurance coverage of at least 95%
- Employment Insurance coverage of at least 65.9 million employees, including informal sector workers
- **Access to nutritious food for 60% of 40% poorest population**
- Financial inclusion for 25% of 40% poorest population

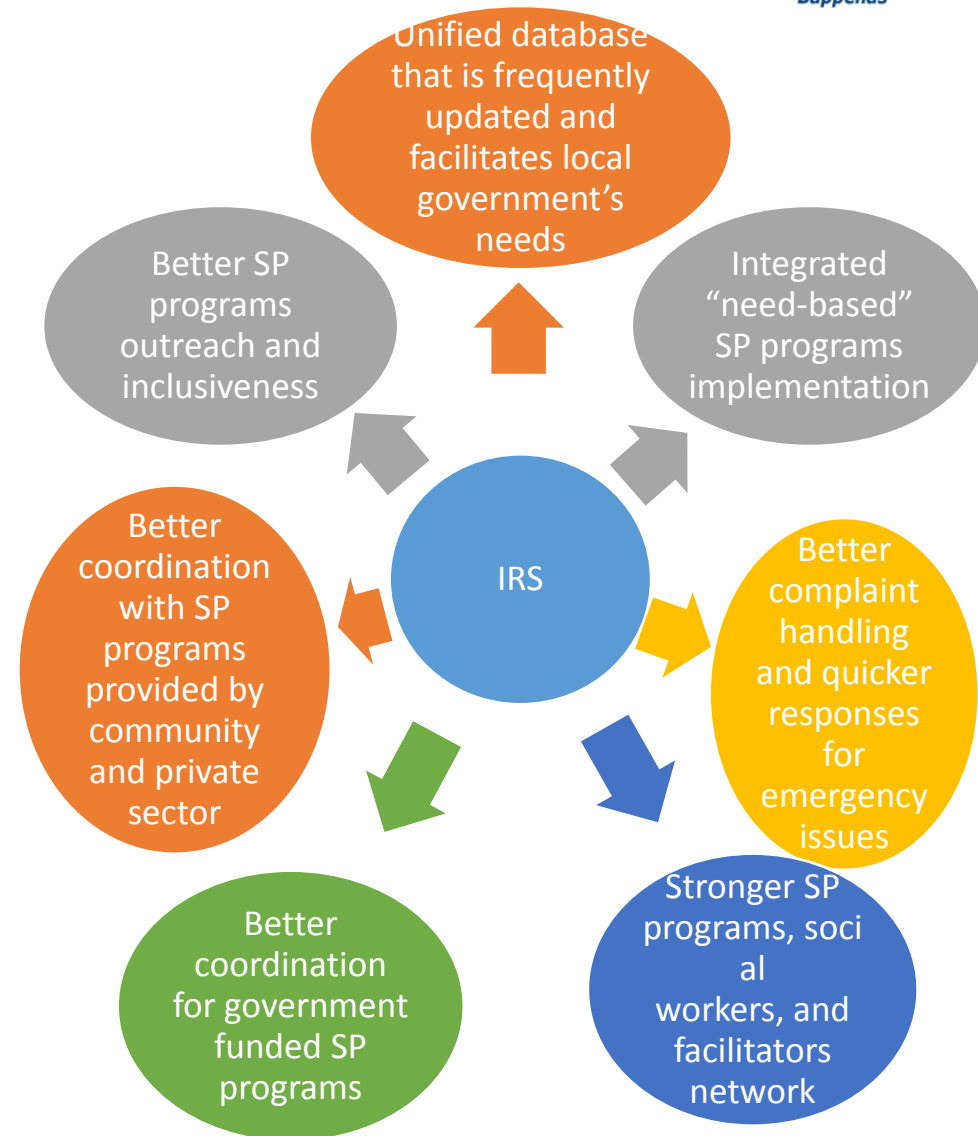
# WAY FORWARD - SOCIAL ASSISTANCE

## ➤ Social assistance integration

- The development of Integrated Referral Service (IRS), to facilitate:
  - Targeting integration among social protection programs.
  - Referral and on demand application for social programs.
  - Complaint handling for social protection programs.
- Increasing complementarity of social assistance and insurance schemes.

## ➤ Standardization of services quality and social worker qualification

- The development and improvement of social service minimum standard.
- Improving the qualification and accreditation of social workers and social welfare institutions.



# WAY FORWARD – SOCIAL INSURANCE

## MEMBERSHIP EXPANSION

- Innovation for registration and premium collection methods.
- Various incentive schemes for informal sector employee.
- Law enforcement and encouragement for private, local government, and other insurance schemes to integrate with SJSN.

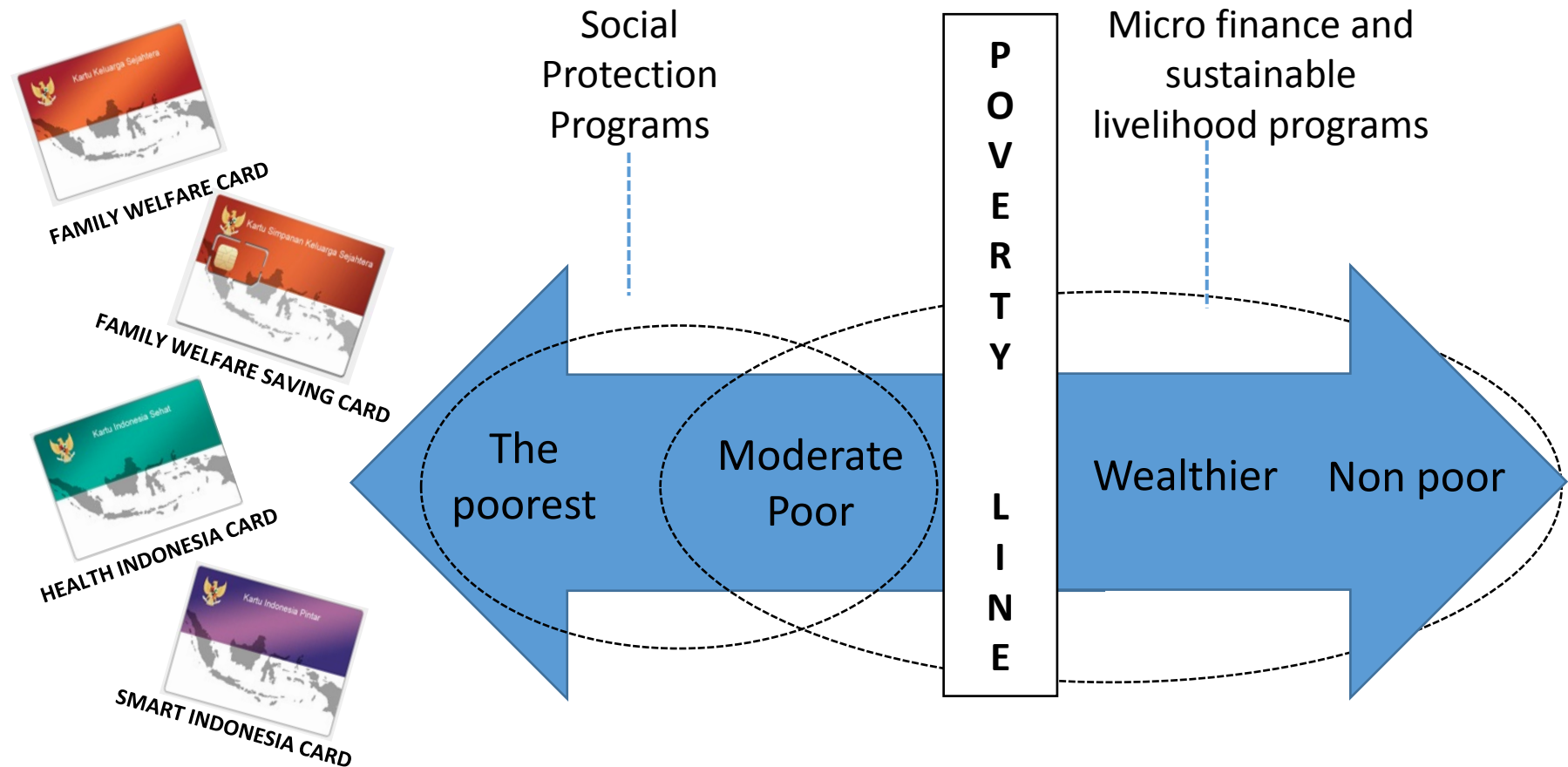
## SOCIALIZATION AND EDUCATION

- Massive and well coordinated socialization of SJSN programs.
- Education on the importance of social insurance in the community level.

## PROGRAM MANAGEMENT IMPROVEMENT

- Improving cooperation with private health providers through promotion, health services pricing and payment improvement, and better arrangement of coordination of benefit (CoB).
- Improving programs' comprehensiveness and inclusiveness for disabled and elderly population, such as through the development of Long Term Care (LTC) Insurance scheme.
- Building integrated monitoring and evaluation scheme to improve the SJSN programs sustainability.

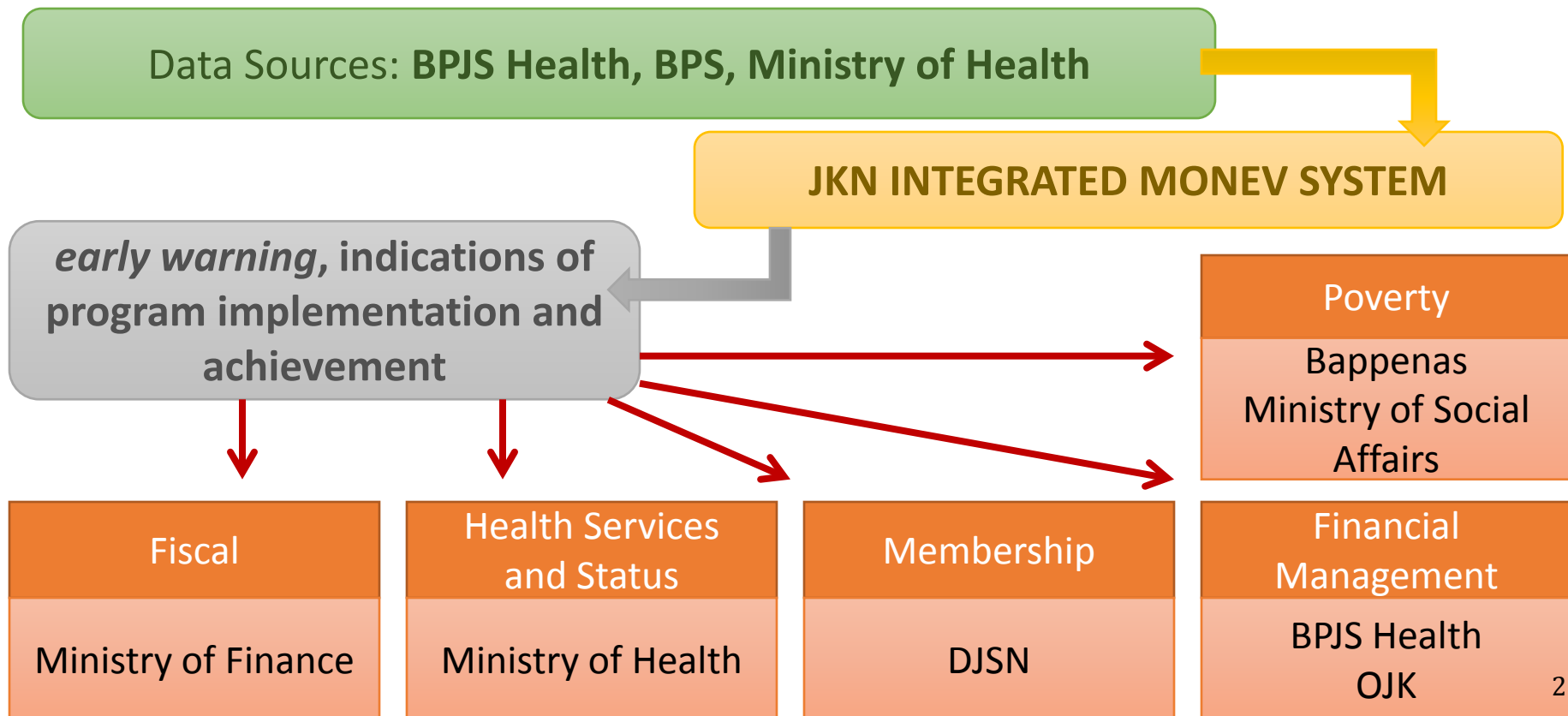
# SINERGY SCHEME AT THE HOUSEHOLD/FAMILY LEVEL



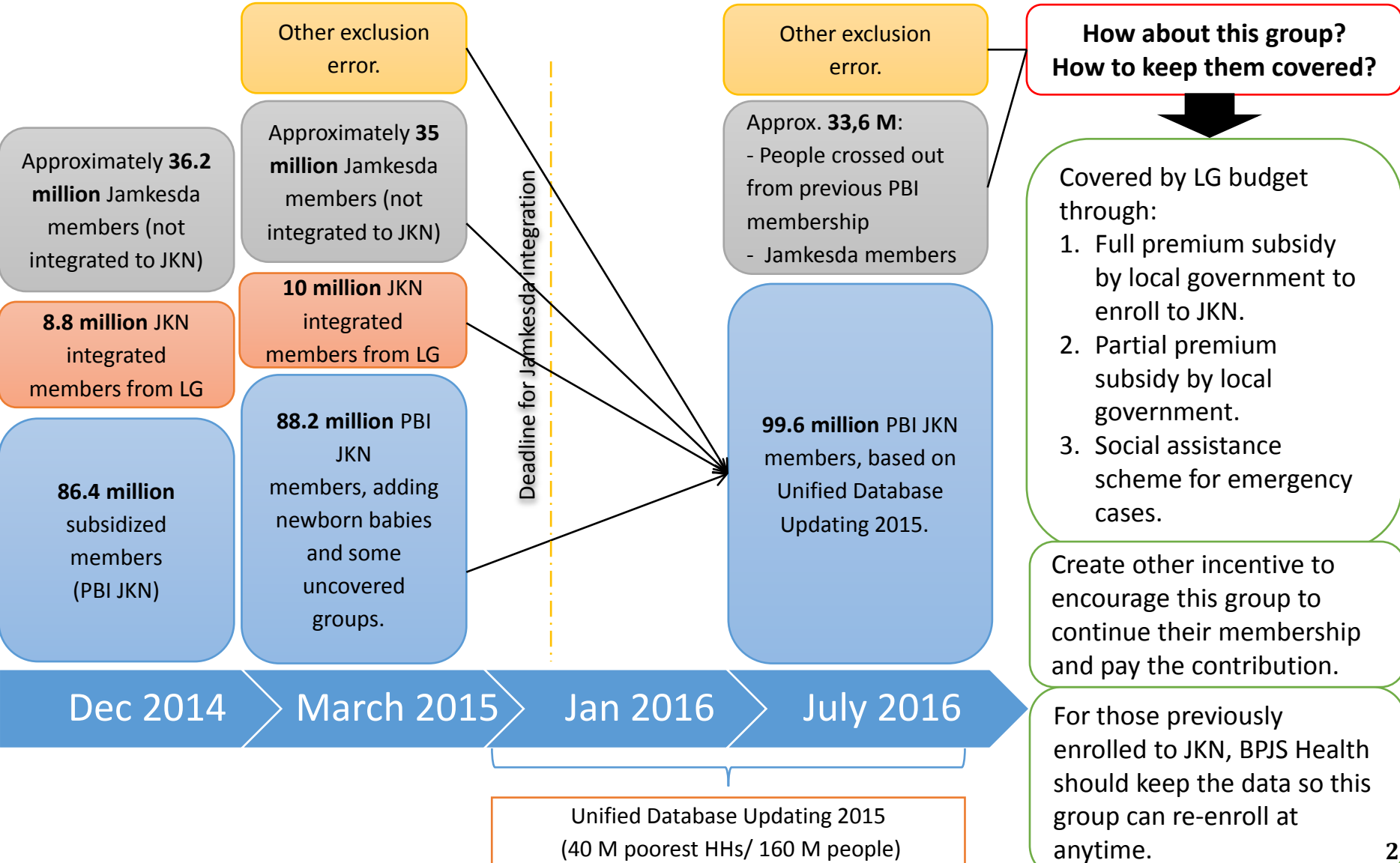
*Synergy at household level is based on the use of Unified Data Base of 40% lowest income group*

# INTEGRATED MONEV AND EARLY WARNING SYSTEM FOR NATIONAL HEALTH INSURANCE (JKN)

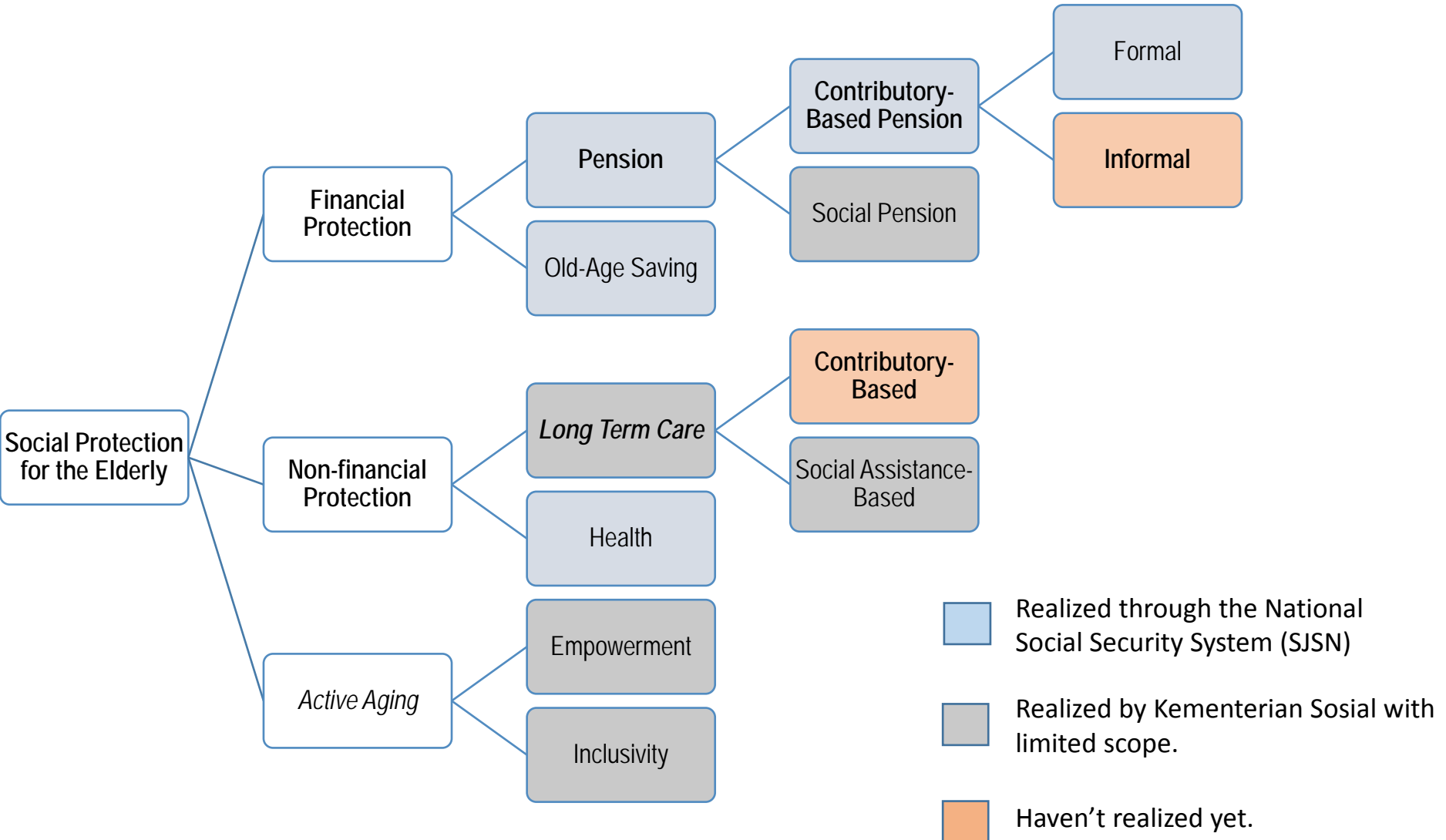
- The development of integrated monitoring and evaluation system is needed to provide **early warning** to the government on risks related to JKN implementation.
- **The early warnings** should be then followed by mitigation actions by line ministries.
- The system is also needed to monitor the latest indicators of JKN implementation, including to see early indication on program achievement and effectiveness.



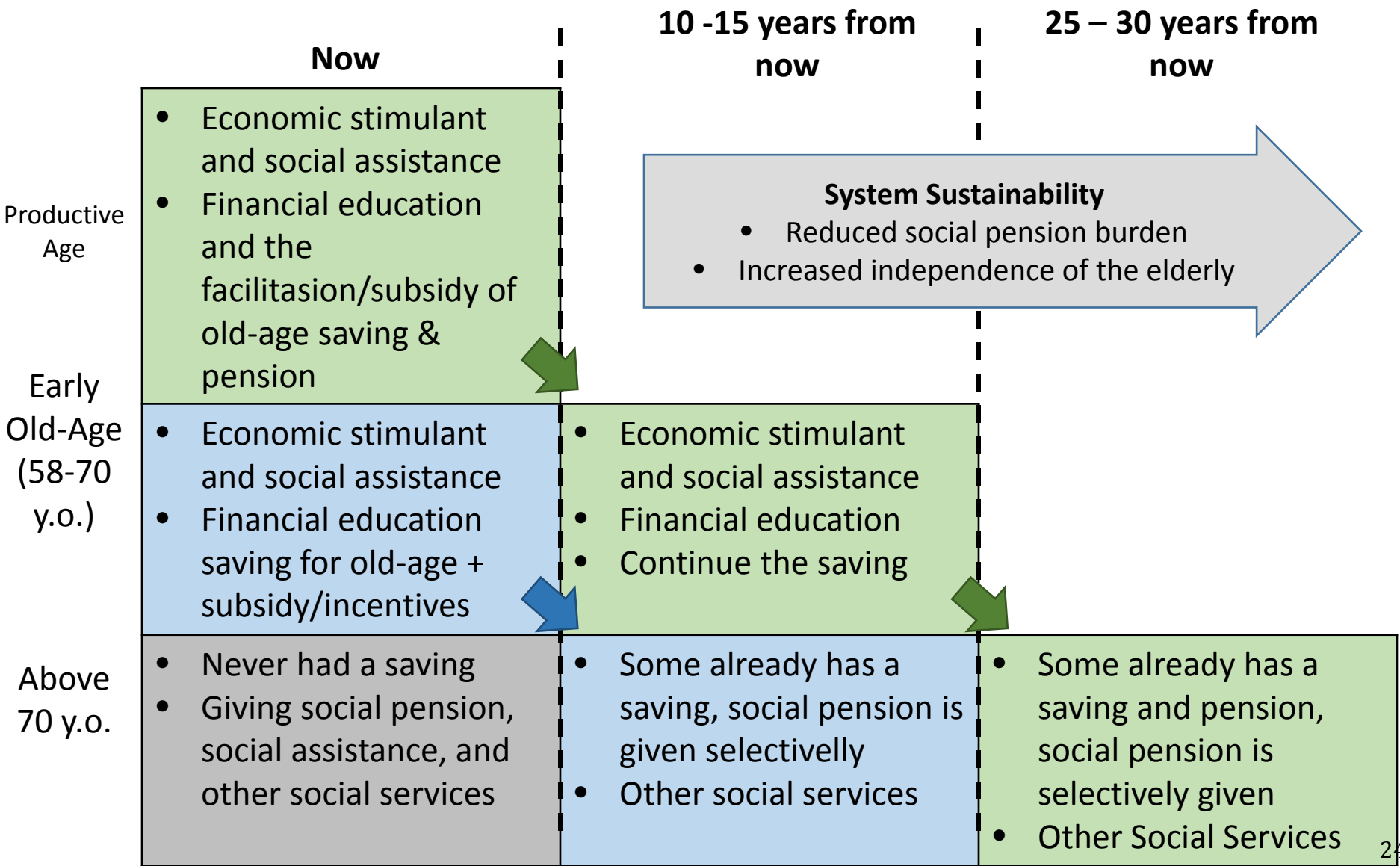
# JAMKESDA INTEGRATION



# SOCIAL PROTECTION FOR ELDERLY



# STEPS OF THE EXPANSION OF SOCIAL PROTECTION FOR (POOR) ELDERLY





# SOME IDEAS FOR SOCIAL PENSION



- **Social pension is one of the best solution to cover the elderly in informal sector which is poor and without old-age saving.**
  - **Some challenges: poverty, informality, Institutional Capacity, Knowledge and Awareness**
  - World Bank notes: *For the poor, pension saving isn't one of their priorities of spending. Contributory-based pension can't be optimally implemented.*
- **In the other hand, social pension can be a burden for the government's budget. The implementation should be focused to:**
  - Apply the definitive eligibility limitation to reduce the government's burden (only for the poor, neglected, or very old people). Paid in the same amount, without considering the number of the elderly and families.
  - A flexible eligibility criteria, based on the change of the population structure, such as the change in life expectancy & the level of poverty.
  - Reduce the scope in the long term, and change it with contributory-based pension.
- **The development of contributory-based pension for informal sector in productive-age (poor and non-poor) should mark the following aspects:**
  - Education level of the population
  - A flexible contribution and benefit system
  - The ease of the registration and the payment
  - Incentive/Subsidy
  - The connection between pension system and other programs

# SOME IDEAS ON LONG-TERM CARE INSURANCE

## Benefit scope:

- Assistance of *activities of daily living* – ADL, including self-care activities, mobilization, and moving the body parts (example: walking, getting up from chair, bathing, brushing teeth, clothing, eating, etc).
- Assistance of *instrumental activities of daily living* – IADL, including activities that supports the independence (example: cleaning house, cooking, shopping, visiting the doctor, etc).
- Health care services.

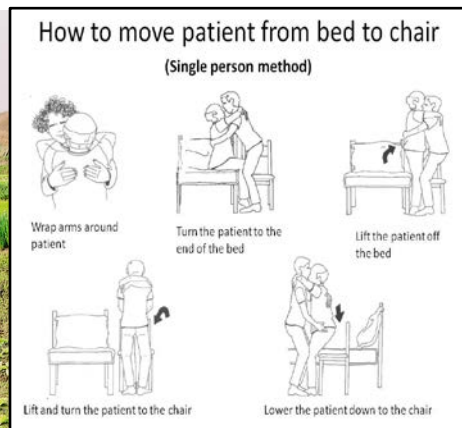
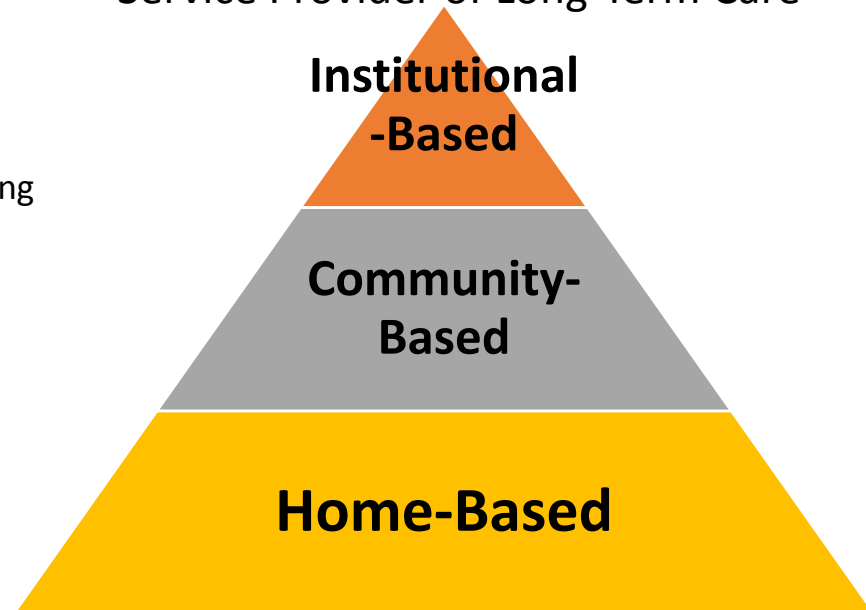
## The Role of Government:

- Provider of LTC Insurance
- Provider of institutional-based care service

## Role of Community & HH:

- Provider of community-based & home –based care
- ADL and I-ADL

## Service Provider of Long-Term Care



## Physical Exercise Training Posters

1			8		
2			9		
3			10		
4			11		
5			12		
6			13		
7			14		

Mỗi động tác làm 10 lần

# CONCLUSION

- National social protection systems are not built in a day
  - Need a clear vision of where we want to be in 10-20 years → including regulatory, institutional, and funding frameworks setup.
  - The programs design should be aimed at delivering long-term political support for significant social spending – not only poverty case based.
  - Improve capacity of social workers, facilitators, and local governments.
  - Improve toward efficiency and effectiveness of implementation.
- The transformation advocates support for the poor: ID cards, birth certificates, empowerment of women, and financial inclusion.
- It encourages local governments support to improve supply side and budget allocation for social development, as well as local programs convergence and strengthened role of communities.

*Thank You*