

Indonesia to improve its social protection system by adding unemployment benefit

The Government of Indonesia is in the process of setting up an unemployment benefit scheme to better protect the workers from any involuntary resignation cases. To find the most suitable mechanism for Indonesia, the government and other related stakeholders learnt good practices from other Asian countries.

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The official opening of the National Conference on Unemployment Benefit

More than 150 representatives of governments, employers' and workers' organizations gathered at the National Conference titled "International Experiences of Protection against Unemployment and Its Relevance for Indonesia" to learn and examine unemployment benefit schemes implemented in five Asian countries: Japan, Republic of Korea, Malaysia, Thailand, and Vietnam.

Jointly conducted by the ILO and the Ministry of Manpower in Jakarta on 3 March, the National Conference aimed to support government's initiative to improve its national social protection system. As of today, Indonesia has only been operated employment injury benefit, survivors' benefit and old-age benefit that also includes pension benefit under BPJS Employment.

"Workers and businesses are now being surrounded by diverse challenges and risks. Due to industrial revolution 4.0, both employers and workers are at risk of losing their businesses and jobs. As a response to this situation, the government plans to set up a new innovative public policy that can create a better environment for both workers and employers in the form of unemployment benefit (JKP)," remarked Haiyani Rumondang, Director General Industrial Relation and Social Protection on behalf of Ida Fauziyah, Minister of Manpower.

Emphasizing the importance of unemployment benefit, Kazutosi Chatani, ILO's Deputy Country Director in Indonesia, said that more Asian countries have been introducing employment insurance and establishing a linkage to active labour market policies. "Each country has a unique policy design and Indonesia should also design its own unemployment benefit scheme. Lessons learnt from other countries can further assist Indonesia to develop its own ideal policy design and mechanism that can better protect the unemployed," he said.

According to Haiyani, JKP is a form of unemployment benefit system that is designed to provide the unemployed with a partial and temporary income replacement and in the same time give them access to skills training and job placement facility. By integrating these three components, this new programme aims to assist the unemployed maintaining their livelihood during the transition period and smoothing their way back to the work life. JKP also benefits the employers by providing them with skilled workers suitable with the needs of the industry.



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Lessons learnt from other five Asian countries

During the event, the five countries shared similar principles of unemployment insurance integrating unemployment benefit with skill development training and job placement system. The differences were in the detailed mechanisms based on the needs of each country.



The lessons learnt session from five experts on unemployment benefit

Some countries allow both voluntary and involuntary unemployed to receive the benefit while other countries only cover the involuntary unemployed. The contribution mechanism is also vary. In most countries, the contribution is paid by the employers and workers. Meanwhile, in some other countries, the government contributes either to the premium or to the benefits.

The guest speakers also mentioned the existence of severance pay when the unemployment benefit system is already in place. Some countries decided to maintain the existence of severance pay as a liability of the employers. Other countries chose to gradually or even totally replace it with unemployment benefit scheme.

The speakers also emphasized the importance of integration between institutions in implementing the system. All countries established a one-stop service system for workers to claim unemployment benefit and receive public employment service (PES) to deliver a comprehensive service. Integration between offline and online PES also becomes more common as the young generation prefer online interaction to the physical one.

“From my experience, the unemployment benefit is a good safety net for workers. The system also indirectly benefits the company by providing skilled workers.”

Ponniah Raman, Head of Employment Insurance Division of Malaysia

Despite the differences, all countries agreed that unemployment insurance must be integrated with public employment services to promote better jobs. “From my experience, the unemployment benefit is a good safety net for workers. The system also indirectly benefits the company by providing skilled workers,” said Ponniah Raman, Head of Employment Insurance Division of Malaysia.



The participants actively examined the lessons learnt as reference for the establishment of Indonesia's unemployment benefit scheme

Moving forward with support from the ILO

To start the development process of Indonesia's unemployment benefit scheme, the National Conference was followed by a technical discussion. Selected relevant labour representatives discussed detailed mechanism for the country.

Led by Ippei Tsuruga, Manager of ILO-UNIQLO Project, the participants examined and reviewed lessons learnt from the five countries as well as the international standards according to the ILO

Convention No. 102 on Social Security and the Convention No. 168 on Employment Promotion and Protection against Unemployment Convention.

"Recognizing the importance of job creation and promotion in protecting workers against unemployment, the ILO released the Convention No. 168 in 1988. This convention provides higher and more detail standards than Convention 102 to guide ILO's member States, including Indonesia, in developing their own unemployment benefit scheme," explained Ippei.

Understanding the importance of unemployment benefit, Indonesian key labour actors were in an agreement to improve the quality of social protection in the country by adding the unemployment benefit into the system. Follow-up meetings to further discuss about detailed mechanism will be conducted with support from the ILO.

The event was conducted by the ILO through its Unemployment protection in Indonesia: Quality Assistance for Workers Affected by Labour Adjustment (UNIQLO) Project. Funded by the parent company of UNIQLO, Fast Retailing Co., Ltd, the Project facilitates tripartite dialogues and provide technical assistance to formulate an effective and comprehensive unemployment benefit scheme as a part of social protection system. The Project will run for two years until 2021.



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Ippei Tsuruga, Manager of ILO-UNIQLO Project



Tags: employment services, unemployment, unemployed, social protection, unemployment benefits, skills

Regions and countries covered: Indonesia

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Event

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