

ILO discussed trade unions' concerns of new unemployment protection programme

Despite ongoing protest against the recently passed omnibus law, unemployment insurance (UI) programme receives a relatively positive sentiment from trade unions. Although they still have some concerns.

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Indonesian garment workers

The government has established unemployment insurance (UI) based on the principles of social insurance. To discuss the design of this scheme, the ILO organized an online discussion on Tuesday, 24 November 2020, attended by representatives of four trade union confederations and several federations in the garment & textile sector.

Michiko Miyamoto, Director of the ILO for Indonesia, opened the discussion by highlighting the main principle of unemployment protection. She explained that unemployment protection ideally built upon a social insurance principle where all parties involved must contribute, in this case, the employers, workers, and perhaps government.

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Worker's contribution, however, has been the greatest concern among trade unions. Their arguments surrounding the contribution is often related to the severance pay and the increased burden for workers should they contribute to UI.

"Many workers are already facing difficult times due to [COVID-19 crisis](#) >. Contributing to UI means adding more burden to workers so that I suggest the employer and government share the cost of the scheme equally," proposed Untung Riyadi, a unionist from the Confederation of All Indonesian Workers' Union (KSPSI).

"This scheme, however, is built on the principle of social insurance according to the new law, and therefore should aim at protecting workers regardless of all types of employment contract."

Ippei Tsuruga, ILO's Programme Manager for UNIQLO Project

Meanwhile Dwi Harto from Confederation of All Indonesian Trade Unions (KSBSI) argued that "JKP's cash benefit acts as the replacement of severance pay which had been reduced in the new law. Asking workers to contribute means transferring employer's responsibility to their shoulder."

The law stated that the source of funding of the scheme comes from government's initial capital of 6 trillion rupiahs, repositioning employer's contribution from other existing social security schemes and/or BPJS

Employment operational fund. By this statement, the law does not seem to require workers' contributions at the launch of the scheme.

Ippei Tsuruga, ILO's Programme Manager for UNIQLO Project reminded that the government cannot be the sole contributor to the programme as the state budget is limited. He also warned the

participants that if the scheme only relies on the general tax revenue, the government may have to reduce the benefit level, shorten the duration of benefit, or increase tax.

Aside from worker's contribution, the unionists also questioned the coverage for fixed term contract workers or known as Perjanjian Kerja Waktu Tertentu (PKWT). Workers in this kind of arrangement are generally more vulnerable than permanent employees. If the scheme excludes PKWT workers, it means that the scheme does not protect workers who are in need of the unemployment protection.

Coverage and duration of the scheme

"Universality is an important element of unemployment insurance. The inclusion of PKWT may lead to higher costs of the scheme as this type of workers are more likely to be unemployed. This scheme, however, is built on the principle of social insurance according to the new law, and therefore should aim at protecting workers regardless of all types of employment contract," Ippei added.



Another issue discussed was the duration of the benefit. The law stipulates that the maximum duration of benefits up to six months. The questions raised by the workers were: What if the unemployment period is shorter or longer than six months? Will they

“ If the objective of this programme is to provide decent livelihood during the unemployment period, the benefit shall not be limited to

get the full benefit if they get a job before the benefit period ends? Can they still receive the benefit if the unemployment period is longer?

"If the objective of this programme is to provide decent livelihood during the unemployment period, the benefit shall not be

limited to six months. It should be covered the unemployment period until the worker gets a new job," exclaimed Djoko Wahyudi from FSPPG, a trade union federation in garment industry.

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Responding to the questions, Markus Ruck, ILO's Senior Social Security Specialist, explained that UI is complemented by the Active Labour Market Policy (ALMP), which helps workers to get a new job as soon as possible. The ALMP provides a set of measures, including skill training, job counselling, and job placement that aims at better matching the skilled talents with the available jobs.

"With effective ALMP, workers will not stay in unemployment for too long. They will get back to work as soon as possible, pay taxes and are able to participate in all aspects of society. On the other hand, the company gets high skilled workers through reskilling and upskilling."

Markus Ruck, ILO's Senior Social Security Specialist

"With effective ALMP, workers will not stay in unemployment for too long. They will get back to work as soon as possible, pay taxes and are able to participate in all aspects of society. On the other hand, the company gets high skilled workers through reskilling and upskilling. In other words, the whole unemployment protection scheme is a huge agenda for the economy and the country at large," Markus explained.

At the end of the session, Markus reminded all stakeholders involved in the development of government regulations on UI to ensure the application of the conceptual basis and its principles to build a solid foundation. "You can

always improve effective coverage by strengthening social security inspection, applying incentives and various enforcement measures. However, without a solid foundation, we have a risk of enduring a long process to addressing these shortcomings," he advised.

The new Omnibus Law has already covered the main elements of UI, including social insurance principle, coverage, benefits, and financial arrangement. The government is now in the process of preparing a regulation to further elaborate detailed operational and implementation, in consultation with social partners.

ILO through its Unemployment Protection in Indonesia – Quality Assistance for Workers Affected by Labour Adjustment (UNIQLO) project will continue to support any social dialogues on JKP between the

government and social partners to improve social protection scheme in Indonesia. The project is funded by Fast Retailing, Co. Ltd., the mother company of fashion brand, UNIQLO..

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

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