

Pension policy reform

Tripartite representatives of West Java Province adopted a joint statement on pension reform

ILO supports the pension reform in the Province of West Java to promote certainty, adequacy, coverage, and sustainability of old age income security.

News | Bandung, West Java, Indonesia | 03 July 2023



Representatives of the Provincial Government of West Java, employers and workers show the signed joint statement on the protection of old age income security. (c) ILO

Representatives of the Provincial Government of West Java, employers and workers signed a [joint statement on the protection of old age income security](#) > during the provincial consultation on old-age income security held in Bandung, West Java, in the mid of June. The signing of the joint recommendation also marked the first provincial consultation conducted by the ILO.

Similar consultations and signing will also be conducted in East Kalimantan and Central Java in August. West Java and Central Java Provinces have been selected as they are known as provinces with the highest population workers in the country with West Java as the largest and Central Java as the second largest. Meanwhile, East Kalimantan is known as one of the largest provinces with vast investment in sectors such as oil and gas, mining, processing industry, construction as well as agriculture and fisheries.

The joint statement proposes the establishment of social pension scheme as a mandatory tax-funded pension floor scheme for all citizens. It recommends the enhancement of the existing unemployment benefit scheme by making it a mandatory contribution to all wage earners with a benefit rate of 75 percent, while for the old age benefit scheme (JHT) is a mandatory for all wage and non-wage earners.

The joint statement also proposes an increase of contribution rate to 6 percent, with 2 percent and 1 percent contributions from employers and workers respectively and 3 percent contribution from government. It urges the government to draw regulations that regulate the retirement age limit with 60 years old as the pensionable age.

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Participants of the provincial consultation on old-age income security actively involve in the discussion sessions. (c) ILO

Nindya Putri Sutedjo, Ministry of Manpower's Sub-Coordinator for Social Protection Programme, Benefit and Contribution Development, represented the national government in presenting the policy direction of the pension system reform. She highlighted the newly enacted Law No. 4/2023 on Financial Sector Development and Strengthening. "

"In addition to address current financial sector issues and challenges, the law calls for the harmonization of old-age pension schemes in Indonesia. It is important so that the financial sector in Indonesia would be more efficient, inclusive and reliable", she said.

Meanwhile, Ippei Tsuruga, ILO's Social Protection Programme Manager, underscored international standards and practices of old-age income security programmes, challenges of existing system in Indonesia and options for policy reform that the ILO recommended in its [actuarial study report](#) >.

The provincial consultation also presented lecturers from the University of Indonesia, Elda Pardede, and the University of Padjajaran, Arief Anshory. Elda highlighted the fact that Indonesia is now entering aging population with more than 10 percent of its population aged 60 years and above, with old age income gaps between men and women, formal and informal economy as well as urban and rural areas. While Arief presented an assessment that reveals elderly in rural areas are the further left behind group, particularly in terms of education and assets.

They both called for an urgent action to protect for elderly people group, particularly in rural areas and the crucial need to reform the policy on old age income protection scheme. They also supported the efforts taken by the ILO to encourage the enhancement of pension and old age benefits schemes.

The ILO support was provided by its [Promoting and Building Social Protection in Indonesia Phase 4 programme](#) >. Funded by the Ministry of Health, Labour and Welfare of the Government of Japan, the programme focuses on creating conditions to gradually build comprehensive sustainable social protection systems for all by enhancing the expansion of the system coverage to all workers (both in formal and informal economy).

Tags: social protection, disability benefits, employment accident benefits, maternity benefits, old age benefits, social security policy, unemployment benefits, partnerships

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