

Pension policy reform

Tripartite representatives of Solo adopted a joint statement on pension reform

The adoption of a joint statement in Solo on pension reform marks the second provincial adoption supported by the ILO. The first one was adopted by the tripartite representatives of West Java Province.

News | Solo, Central Java, Indonesia | 18 August 2023



Representatives of tripartite constituents in Solo, Central Java sign a joint statement recommending a policy reform on old age income security system. © ILO

Representatives of tripartite constituents in Solo, Central Java gathered to examine and discuss about the promotion of certainty, adequacy, coverage, and sustainability of old age income security system in a three-day provincial consultation held from 2-4 August. Attended by 28 representatives

of tripartite constituents from selected regencies and municipalities, the consultation meeting concluded with the signing of a [joint statement](#) > producing a set of recommendations for policy reform on old age income security system.

The joint statement proposes the establishment of a mandatory universal pension scheme for all citizens, except wage earners. It also proposes the coverage expansion of existing pension scheme to non-wage workers, and the old age benefits scheme by making it a voluntary scheme for all citizens.

The joint statement recommends the increasing of pension contribution rate to 4 percent with a contribution composition among employers, workers and government of 2 per cent, 1 per cent, and 1 per cent respectively. Pension benefits will be increased to 40 per cent and to be paid periodically until death after 15 years of contribution. For those contributing less than 15 years, the benefits will be paid in lump sum.

While contribution and benefit rate of old age scheme remain the same, benefit for universal pension scheme has been set at 1 million rupees to be paid monthly until death with pensionable age of 56 years old.



Participants examine and discuss about the promotion of certainty, adequacy, coverage, and sustainability of old age income security system. © ILO

Officially opened by the Heads of Manpower Offices of Central Java and Solo, the consultation meeting presented an official from national level represented the Ministry of Manpower, Aulia Pradipta. He presented details about existing old-age income security schemes and newly enacted

Law No. 4/2023 on Development and Strengthening the Financial Sector, which calls for the harmonization of old-age pension schemes in Indonesia.

Representing the ILO, Christianus Panjaitan as the Project Officer for Social Protection Programme, presented international standards and practices of old-age income security programmes, challenges of existing system in Indonesia, and options for policy reform. Two academia from University of Indonesia, Elda Pardede and University of Gajah Mada, Qisha Quarina provided insights about the aging population and coverage gap in the current pension scheme.

“Considering Indonesia is now entering the aging population, we urgently need to reform our pension system to address old age income gaps between men and women, formal and informal and urban and rural areas,” Elda said.

While Qisha emphasized the need for pension system reform to address the increasing dependency ratio of the elderly beyond 2035. “We should start the reform now to be able to reach the universal coverage.”

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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