

# **Indonesia**

**Project on Strengthening of Capacity of Social  
Insurance Operation  
(Support on Creating Implementation Plan for  
Qualification of Social Security Experts)**

## **Final Report**

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**Project on Strengthening of Capacity of Social Insurance Operation**  
(Support on Creating Implementation Plan for Qualification  
of Social Security Experts)

**Final Report**  
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## Abbreviations

Abbreviations	Full Name
ADB	Asian Development Bank
AI	Artificial Intelligence
ASABRI	Asuransi Sosial Angkatan Bersenjata Republik Indonesia
ASEAN	Association of South-East Asian Nations
ASKES	Asuransi Kesehatan Pegawai Negeri
BNSP	Badan Nasional Sertifikasi Profesi
BPJS Kesehatan	Badan Penyelenggara Jaminan Sosial Kesehatan
BPJS Ketenagakerjaan	Badan Penyelenggara Jaminan Sosial Ketenagakerjaan
DJSN	Dewan Jaminan Sosial Nasional
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (Germany)
HLM	High Level Meeting
IC/R	Inception report
ICT	information and communication technology
IT/R	Interim report
JAMKESMAS	Jaminan Kesehatan Masyarakat
JAMSOSTEK	Jamian Social Tenaga Kerja
JHT	Jaminan Hari Tua
JICA	Japan International Cooperation Agency
JKK	Jaminan Kecelakaan Kerja
JKM	Jaminan Kematian
JKN	National Health Insurance of Indonesia
JKN-KIS	Jaminan Kesehatan Nasional - Kartu Indonesia Sehat (National Health Insurance – Healthy Indonesia Card)
JP	Jaminan Pensiun
KKNI	Kerangka Kualifikasi Nasional Indonesia
LSP/PCI	Lembaga Sertifikasi Profesi / Professional Certification Institution
MOH	Ministry of Health
MOM	Ministry of Manpower
MSOE	Ministry of Stated-Owned Enterprises
NIK	Nomor Induk Kependudukan
P/R	Progress report
PT	Perseroan Terbatas
PUSKESMAS	Pusat Kesehatan Masyarakat
SJSN	Sistem Jaminan Social Nasional
SKKNI	Standard Kompetensi Kerja Nasional Indonesia
TASPEN	Tabungan dan Asuransi Pegawai Negeri
USAID	United States Agency for International Development
WHO	World Health Organization

## Chapter 1 Overview and Progress of the Survey

### 1.1 Background of the Survey

Since year 1992, the social insurance system in Indonesia had been implemented by JAMSOSTEK targeting formal sector workers. In Indonesia, the unification of social security system has been promoted as an initiative of the Government of Indonesia (hereinafter, GOI) intending to allow all citizens to have some minimum guaranteed level of benefits. For this purpose, “No. 40 of October 2004, the Law on National Social Security System” (hereinafter, SJSN Act) was enacted. The SJSN Act<sup>1</sup> defines the implementation of social security programs such as five benefits (medical benefit, employment injury benefit, Old-age benefit (also referred to as provident fund), old-age pension, and survivors’ benefit. In November 2011, the Law on Implementation Agency (hereinafter, BPJS) was enacted, and BPJS Health (which is responsible for operation of health insurance system) has been in operation since January 2014 and BPJS Employment (which is responsible for four other benefits) has been in operation since July 2015.

Such organizations required to promote universal coverage form the social insurance mechanism. Regarding JKN, by 2019, 100% of coverage of total population is planned. Regarding Labour insurance (Work Injury Benefit, Old-age Lump-sum benefit, Death Lump Sum Benefit, Pension benefit), 80% of coverage for formal sector workers and 5% of coverage for informal sector workers is planned by the year 2019.

While BPJS Health plans to extend the coverage of JKN to the whole population by 2019, it faces the challenge that BPJS Health needs to cover informal sector workers such as farmers, the self employed, seasonal workers, and people without employment, who make up 60% of total population. Income of such people is often periodic. Since they are not able to understand the concept of insurance,

SJSN Law	Jan. 2014	Jul. 2015	By 2019	By 2029
Health Insurance	Establishment of BPJS Health Implementation of JKN <sup>2</sup>			
Work Injury Compensation	—	Establishment of BPJS Employment Implementation of Social Insurance (Other than JKN)		
Death Benefit				
Old age Benefit				
Pension				

**Figure 1-1 Plan of Extension of Coverage of Social Security in Indonesia**

Source : Peta Jalan Manuju Jaminan Khesehatan Nasional 2012-2019

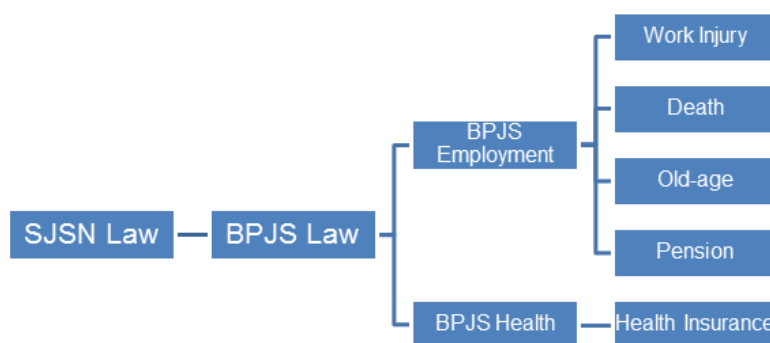
<sup>1</sup> Sistem Jaminan Social Nasional

<sup>2</sup> National Health Insurance System

thus the extension of coverage of health insurance becomes a challenge. Also, BPJS Health is attempting to extend coverage to the poor by issuing health insurance cards without payment of contributions<sup>3</sup>. As a result, a significant rise has been seen in terms of coverage rate, but financial balance of the JKN was in deficit in 2015 and 2016. Policy actions to improve the financial balance are expected to be introduced.

While the coverage rate of formal sector workers by BPJS Employment was at 16% as of December 2015, informal sector workers had hardly subscribed. In order to improve such situation, the Project on Strengthening Social Security System in Indonesia aimed to introduce a pilot project which introduced social security experts (called Perisai) in collaboration with BPJS Employment from October 2016 in 12 pilot sites including Jambel and Jogjakarta<sup>4</sup>. The goal was to examine the project impact. On the other hand, BPJS Health also introduced Kader-JKN as of December 2016 and it collects a contribution to JKN at their 13 pilot sites. Kader-JKN used private sector human resources.

These pilot activities tested if Perisai and Kader-JKN (as the promoters of premium collection) can positively generate the extension of coverage. Both BPJS Employment and BPJS Health have acknowledged a positive impact on extension of coverage. Both BPJS organizations officially requested JICA to implement a project on Social Security



**Figure1-2 Structure of Indonesian Social Insurance System**

Source: Koei Research and Consulting Inc.

Experts by referring to the experience of Japanese Labor and Social Security Attorney and Labour Insurance Affairs Association. Perisai and Kader-JKN were established to promote extension of coverage and premium collection for achieving national target defined by the national plan by 2019, and target impacts through their activities were confirmed. The Indonesian Government requested Japanese Government to support Perisai and Kader-JKN by introducing Japanese system called Labor and Social Security Attorney. The project will try to reach agreement with policy design of social security expert (hereinafter referred to as SSE) and social security expert office (hereinafter referred to as SSE Office), and meet their timeline of activities by the end of 2017. Based on the design and the timeline, the project will implement activities after January 2018.

Social security system in Indonesia can be divided into (1) labour insurance (Work Injury insurance, Death benefit, old-age benefit, which is similar to provident fund, and pension benefit) and (2) health insurance. They are administered by both BPJS Employment and BPJS Health (Figure 1-2) .

<sup>3</sup> Before the establishment of BPJS Health, each local government implement a health insurance scheme for the poor.

<sup>4</sup> Please see the annex for the reference on the result

## 1.2 Objectives of the Survey

The Project Team (Hereinafter referred to as the Team) understands the objectives of this work as shown below. This work is categorized into two major operational works.

The outputs to be obtained from the work will be used as the basic materials for the JICA long term experts who will be dispatched to the project from November 2017.

**Table1-1: Objectives of the Work**

### **1. Create the draft of its roles, authorities and regulations on SSE and SSE Office**

Regarding the legal position, roles and regulations of SSE and SSE office, it is necessary to confirm existing similar national qualifications. For this reason, the work focuses on the process of establishment of SSE and SSE office as an authenticated qualification. In order to introduce a national qualification, official confirmations by both Professional Certification Agency (LSP)<sup>5</sup> and National Agency for Professional Certification (BNSP)<sup>6</sup> are required. The survey team will collect related laws and regulations, and other related precedents and identifies possible tasks.

### **2. Support to institution building by submitting information of necessary works and Schedule (timeline) by the introduction of SSE and SSE office**

The arrangements of legal frameworks are expected to be done by Ministry of Manpower and Ministry of Health which supervises BPJS Employment and BPJS Health. On this basis, the overall schedule (timeline) of necessary activities from legal arrangement to practical arrangement will be drafted. This procedure is needed to obtain the consensus among related organizations such as Ministry of Finance and DJSN, etc. By doing this, necessary preparation of the Project will be ready for implementation from January 2018.

## 1.3 Process of the Survey

This work needs to be carried out in the short term starting from the end of September to December 2017. For the JICA long-term experts to be dispatched toward the end of 2017, the team is expected to provide the information and documents which are essential for their full-scale activities from January 2018. In addition, it is necessary to have consultation and obtain agreement of such information and materials with the Government of Indonesia through High Level Meeting (HLM) etc.

<sup>5</sup> Lembaga Sertifikasi Profesi (LSP)

<sup>6</sup> Badan Nasional Sertifikasi Profesi (BNSP)

#### 1.4 Methodology

The survey was conducted by document research, interview, and field visit. Based on the information (reports, statistical materials, laws, etc.) provided by JICA, and the discussion on the direction of this survey, the Team formulated the information to be collected from the survey. Based on such information, the Team created the survey plan and submitted as the Inception Report (IC / R).

The Team visited Ministry of Manpower, Ministry of Health, BPJS Employment, BPJS Health, Ministry of Finance, DJSN, BNSP, local governments and related departments during the survey. In September 2017, the Team visited training institutions of both BPJS and confirmed their training programs. The Team visited implementing cities where Perisai activities started as the regular activities from November 2017.

## 1.5 Survey Schedule

(First Field Survey)

Date		AGENDA
Sept 14th	Thu	15:40 (NH855) Arrive in Jakarta (Onishi)
Sept 15th	Fri	Receipt cost estimates on research subcontract from three firms and selection procedure
Sept 16th	Sat	Informed to the selected firms on research subcontract and preparation of contract 15:40 (NH855) Arrive in Jakarta (Abe)
Sept 17th	Sun	24:05 (JL 729) Arrive in Jakarta (Fujioka)
Sept 18th	Mon	09:00 Meeting at JICA Indonesia Office 11:00 Meeting at Ministry of Finance 14:00 High Level Meeting on Employment Insurance (at DJSN)
Sept 19th	Tue	Survey Team Internal Meeting
Sept 20th	Wed	08:00 Meeting at BPJS Kesehatan 10:00 Meeting at Ministry of Health (with Minister of Health and the Advisor to the Minister) 15:00 Meeting at BPJS Ketenagakerjaan
Sept 21th	Thu	Survey Team Internal Meeting
Sept 22th	Fri	06:00 Move to Bogor 08:00 BPJS Kesehatan Training Center 13:30 BPJS Ketenagakerjaan Training Center
Sept 23th	Sat	Preparation for Research in Lombok
Sept 24th	Sun	Move to Lombok
Sept 25th	Mon	09:00 BPJS Kesehatan in Lombok 11:00 Kader-JKN 13:00 Kader-JKN site visit of daily activity 14:30 PUSKESMAS Karung Tariwang Matarom
Sept 26th	Tue	10:00 BPJS Ketenagakerjaan 11:00 Perisai Agen
Sept 27th	Wed	Move to Jakarta
Sept 28th	Thu	14:00 Ministry of Finance 16:00 Meeting at JICA Indonesia Office
Sept 29th	Fri	Move to Japan (Onishi and Fujioka)
Sept 30th	Sat	Organizing Information Confirmation for next week's appointment
Oct 1st	Sun	Organizing Information Confirmation for next week's appointment
Oct 2st	Mon	10:00 Meeting at BPJS Ketenagakerjaan
Oct 3st	Tue	Contacting Related Organizations
Oct 4st	Wed	14:00 Meeting at BPJS Kesehatan
Oct 5st	Thu	16:00 Ihza Integrated Consulting (research subcontracting firm)
Oct 6st	Fri	Organizing Information and Drafting Report
Oct 7st	Sat	Organizing Information and Drafting Report
Oct 8st	Sun	Organizing Information and Drafting Report
Oct 9st	Mon	16:00 Ihza Integrated Consulting (research subcontracting firm)
Oct 10st	Tue	Organizing Information and Drafting Report
Oct 11st	Wed	14:00 BPJS Kesehatan Regional Office and South Jakarta Branch Office
Oct 12st	Thu	Organizing Information and Drafting Report
Oct 13st	Fri	16:00 Ihza Integrated Consulting (research subcontracting firm)
Oct 14st	Sat	07:10 Departure from Jakarta (NH 872) (Abe)

(Second Field Survey)

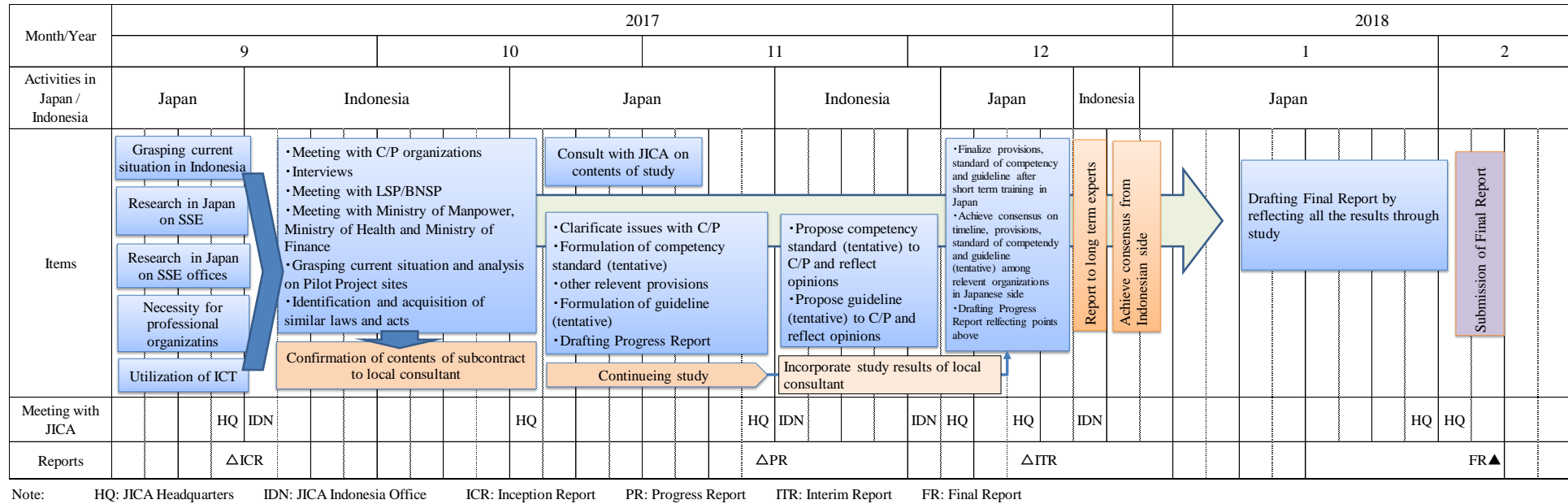
Date		AGENDA
13-Nov	Mon	18:15 Depature from Narita(JL729) (Fujioka) 24:05 Arrival in Jakarta
14-Nov	Tue	AM•PM Communication with Stakeholders
15-Nov	Wed	00:05 Depature from Haneda(NH871) (Abe) 06:00 Arrival in Kajarta AM Team Discussion 13:00 Visit DJSN(Dr Taufik) (Present Status of the Project, etc) 17:00 JICA/Mr Oki (Reporting of Plan of Survey)
16-Nov	Thu	10:00 Ministry of Higher Education: Implementation of National Qualification (Fujioka) 14:00 BPJS Employment (Ms Ria) (Present Situation of Presai nationwide Implementation, training program, etc) 14:30 BNSP: Implementation of national competency standard, Sample of LSP (Fujioka)
17-Nov	Fri	10:30 Ministry of Manpower: Operation of National Occupational Standard
18-Nov	Sat	Team Discussion
19-Nov	Sun	Team Discussion
20-Nov	Mon	10:00 BPJS Health 12:00 Ministry of Manpower: Operation of National Occupational Standard
21-Nov	Tue	10:00 BPJS Employment (Bogor) : Acquisition of LSP/Example of Approval of Qualification PM Lcal Government of Bogor (Tentative)
22-Nov	Wed	AM•PM (1)BPJS Employment : Visit local branch office ( (2)Visit LSP
23-Nov	Thu	AM BNSP: LSP procedures (Fujioka) AM•PM (1)BPJS Health
24-Nov	Fri	AM•PM BPJSEmployment, BPJS Health (Additional Survey) 21:25 Departure from Jakarta(JL726) (Fujioka)
25-Nov	Sat	Information Gathering
26-Nov	Sun	Information Gathering
27-Nov	Mon	AM•PM BPJS Employment, BPJS Health(Extention of Coverage and challenges) PM Arrival in Jakarta (Onishi)
28-Nov	Tue	AM Team Discussion PM Visiting Related Organization (BPJS, etc)
29-Nov	Wed	06:25 Departure from Jakarta(NH836) (Abe)



## 1.6 **Work Flow based on Original Plan**

The Team followed the Work Flow which was made at the initial stage. However, from the result of second field survey, work flow was modified to respond to the current situation of the survey.

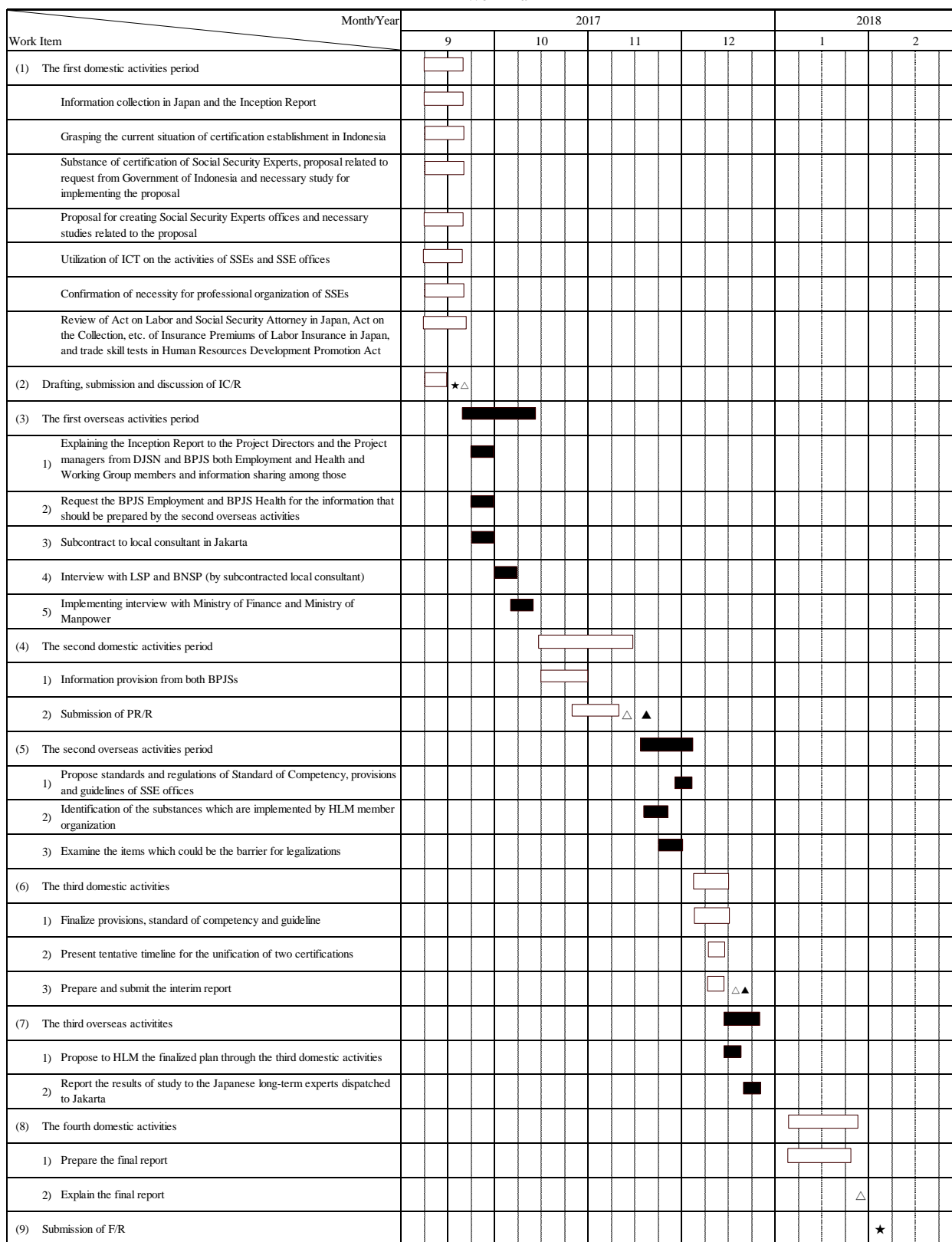
Project on Strengthening of Capacity of Social Insurance Operation in Indonesia  
(Support on Creating Implementation Plan for Qualification of Social Security Expert)  
Final Report



**Figure 1-3 Work Flow based on Original Plan**

Project on Strengthening of Capacity of Social Insurance Operation in Indonesia  
(Support on Creating Implementation Plan for Qualification of Social Security Expert)  
Final Report

**Work Plan**



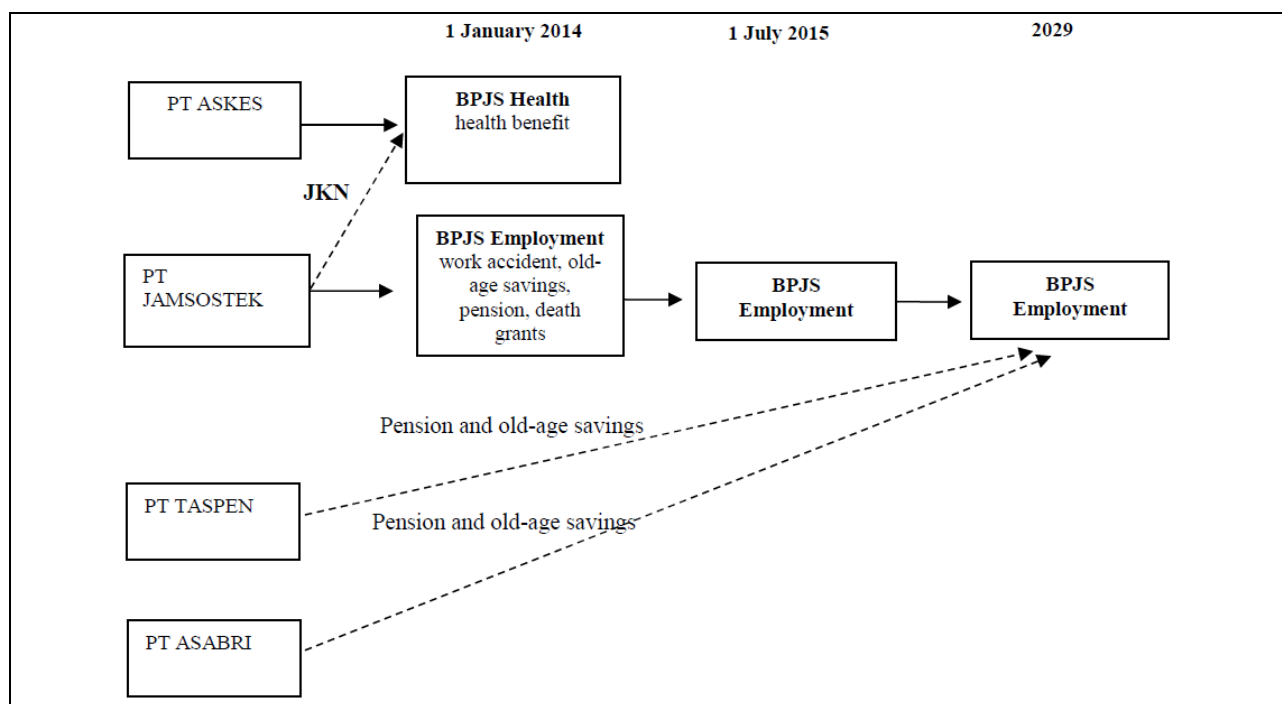
Legend: □ Work in Japan    ■ Work in Indonesia    △ Briefing / Meeting (in Japan)    ▲ Briefing / Meeting (in Indonesia)    ★ Submission of a report

**Figure 1-4 Work Flow (Detail)**

## Chapter 2 Present Situation of Social Insurance System in Indonesia

The social insurance system in Indonesia has been grown along with economic development. At an initial stage, although Indonesia achieved its Independence in 1945, the war continued until 1949 and that did not give opportunity to the Indonesian government to consider the arrangement of social insurance system. The sole government commitment was to mention the improvement of social security for the poor and the socially vulnerable in Article 27, Paragraph 2, and Article 34 of the Constitution. However, when economic growth called ‘New Order’ rose from the 1970s, the necessity of the social insurance system was strongly recognized, and in 1992 the Law on the Social Security System for private employees (Law No. 3 of 1999) was enacted. Even though it had been implemented, the expected benefits were not realized; in particular, the system was not able to respond to the Asian Currency Crisis of 1997.

From the lessons learned through the Asian Currency Crisis of 1997, the Indonesian National Assembly began discussions on the development of the social security system from 2003, which led to the development and promulgation of the 2004 SJSN Act (2004 Law No. 40). However, the SJSN Law only covered the basic framework of the social security system, and the legal framework for implementing various systems had to wait until the BPJS Act (Law No. 24 of 2011) was enacted. PT AKSES, JAMSOSTEK, JAMKESMAS, PT TASPEN, PT ASABRI etc. were the implementing agencies of social security until the BPJS Law was enacted. PT ASKES became ‘BPJS Health’ and JAMSOSTEK became ‘BPJS Employment’ and took over personnel and facilities, etc. After 1 January 2014, the health insurance system was implemented by BPJS Health, the labor insurance system was implemented on 1 July 2015.



**Figure 2-1 History of Implementing Agency of Social Insurance System**

Source: Road Map of National Health Insurance 2012-2019, Government of Indonesia

## 2.1 Labour Insurance Scheme

Pension benefit, old age benefits, work injury insurance, and death benefits classified as labor insurance and they have different characteristics compared with health insurance. Specifically, other than pension insurance, all the benefits other than pension benefit are insurance against accidents which may occur and the payment of benefits have defined relations to the severity of the accident. Therefore, management of scheme is relatively easy. On the other hand, the pension has the characteristic of long-term insurance for the preparation of old-age in the future, and it is operated by the actual payment of old-age pension benefit.

### 2.1.1 Application of the Scheme

While BPJS Employment is responsible for extend the coverage of the whole labour insurance scheme, conditions of application are fixed as shown in Table 2-1.

**Table 2-1: Application of Social Insurance System by BPJS Employment**

Scheme	Formal Sector		Informal Sector
	Large, Medium Size Company	Small, Micro Size Company	
Work Injury Insurance	Compulsory	Compulsory	Voluntary
Death Benefit	Compulsory	Compulsory	Voluntary
Old Age Benefit	Compulsory	Voluntary	Voluntary
Pension Benefit	Compulsory	Voluntary	-

Source: Interview from BPJS Employment

Note: Under the regulations, medium-size enterprises are defined as capital of 500 million rupiah (about 5 million yen in Japanese yen) and annual sales amount of 300 million rupiah (about 3 million yen in Japanese yen). But in operation it is defined that enterprises categorized medium-sized with 50 or more but less than 1000 workers, over 1,000 workers is categorized as large-size companies. The formal sector will be all registered workers under the employment contract at the registration office.

The distinction between small enterprises and micro enterprises is not clear, but 3 or more and 49 people are small companies and about 1-2 are micro enterprises.

## 2.2 Health Insurance Scheme

BPJS Health is obliged to achieve 100% of coverage to the entire population of Indonesia by the end of 2019. In order to respond to this, BPJS Health is promoting measures to issue health insurance cards free of charge to people below the poverty line. BPJS Health faces a severe problem that those who have high health risks receive medical treatment without paying their premiums. Therefore, the budget deficit at the level of several trillion rupiah has been hit and necessary countermeasures are required. Regarding these issues, the Team is expected to collect information during the second field survey period necessary for expanding coverage.

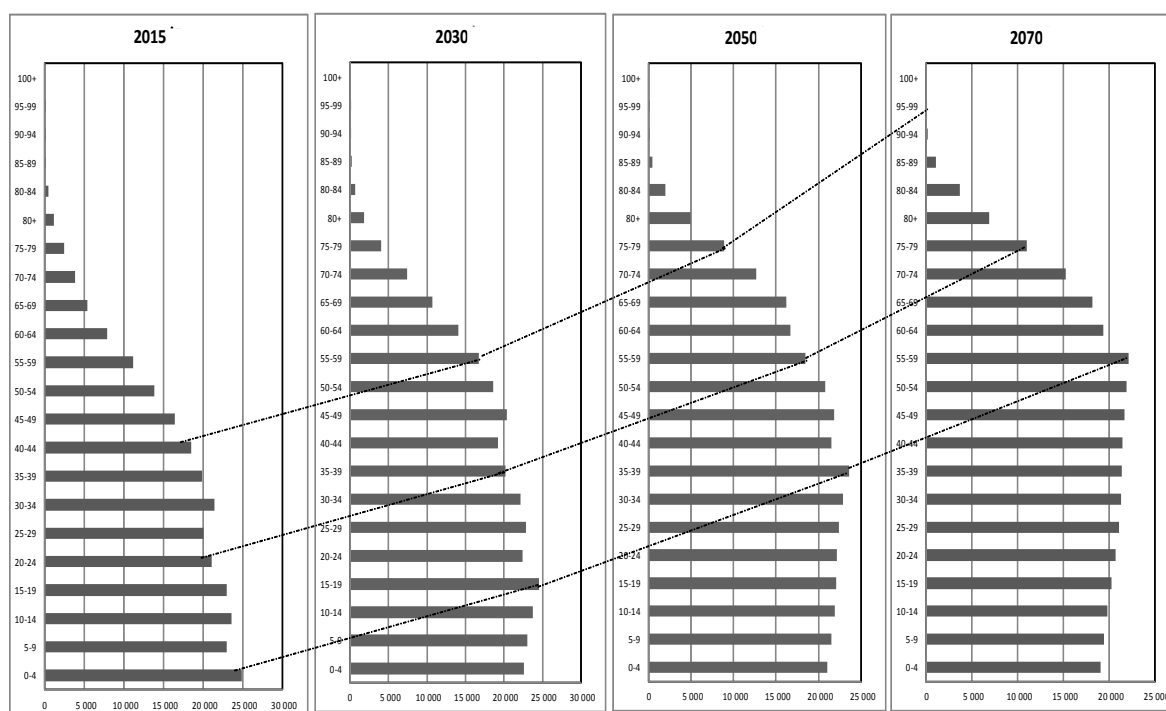
Assumed challenges, together with typical characteristic of Indonesia, are as follows.

- ① Adverse Selection
- ② Moral Hazard (Subscribers, Doctors, and Medical Institutions)
- ③ Deliver issues (Quality and Quantity)
- ④ Introduction of Co-Payment (Currently Free)
- ⑤ Accessibility Issues

### 2.3 Socio Economic Condition

It is certain that Indonesia will have an aged society in the near future (Table 2-1). An aging population is a factor that raises medical expenses and introduces other social problems. In particular, regarding medical insurance, there are clear factors that negatively impact the health insurance finance such as providing nationwide uniform medical services, securing quality, and lifestyle diseases that are increasing in urban areas in recent years. On the other hand, shortage of medical institutions, doctors and nurses in rural areas in medical services still remain as critical bottlenecks<sup>7</sup>, therefore not only through health insurance policies but also collaboration with medical policy, medical health finance analysis, etc. needs to be coordinated for the sustainability of the system.

Figure 2-2 shows future population structure change as population pyramid. It shows that the group with the largest population gradually ages, and there is also the trend of the declining birthrate that the base of the pyramid. In addition, Table 2-2 shows the speed of aging. In Japan, it took 25 years to reach an aged society, while it is expected in Indonesia to be around 27 years. Japan has predicted such social change and has implemented various social security systems for decades. It is noteworthy that many systems were rebuilt after the War and put into practice during the period of high economic growth.



**Figure 2-2 Population Pyramid Projections of Indonesia**

Source: Created from UN Population Prospects 2015

<sup>7</sup> A team including a doctor is dispatched to PUSKESMAS, but usually doctors are not willing to go there even for short term (like 2-3 years).

**Table 2-2 Speed of Aging (from aging society to aged society)**

Country	Population	Reduced Ageing Society (1)	Reading Aged Society (2)	Number of years from (1) to (2)
Japan	127	1970	1995	25
Thailand	69	2001	2024	23
Vietnam	87	2018	2033	27
Indonesia	242	2021	2038	27
Singapore	5	1999	2015	20
Malaysia	28	2020	2046	26
Myanmar	48	2021	2041	20
Cambodia	14	2030	2053	23

Source: Created by Survey Team from UN Population Prospects 2016

## Chapter 3 Overview of Labour Insurance System

As mentioned in 2.1, labor insurance has four benefits: pension, old-age benefit, work injury insurance, and death benefit. Formal sector workers are forced their enrollment, and informal sector workers voluntary enroll. Especially, the subscription rate of the informal sector workers is very small even in 2017, and it is very difficult to achieve 5% of the subscription rate by 2019 indicated as national target. The implementing agency, BPJS Employment aims to improve the subscription rate through Perisai's nationwide deployment, etc. However, there are many problems.

Because the payment of old-age pension benefit will begin in 2019, discussions between BPJS Employment and Ministry of Manpower need to be conducted on the policy aspects such as the appropriateness of the benefit level for various benefits. In addition, in BPJS Employment, not only "the expansion of coverage and insurance premium collection", which was the central issue so far, but also the improvement of staff capacity for "a series of administrative tasks such as accurate record management, appropriate arbitration, and benefits"

### 3.1 The Insured

In the Indonesian social insurance system implemented from July 2015, workers are classified as compulsory or voluntary insured based on whether they are contracted (formal sector) or not (informal sector). Regarding subscription to the social insurance system, persons meeting the age requirement of 18 years or older who have completed compulsory education<sup>8</sup> can join. On the other hand, the current subscription upper limit age is 56 years old<sup>9</sup>, which is regarded as the retirement age, and it can be extended to 59 years old upon the request. This retirement age will be extended to 57 years by 2019 and will be again extended by one (1) year every three (3) years and will eventually reach the age of 65 years old.

The social insurance system is offered to public officials, police and military personnel based on their work group. There are also classifications of apprenticeship workers, and workers under the age of 20 that are applied, but in the case of apprenticeship workers, only work injury and death benefit are applied (Article 28 of Cabinet Order No. 44 of 2015). In addition, if a company manager or executive officer is working for several companies, work injury and old age benefits are to be subscribed by each company, and death benefit is subscribed with only one company. Regarding pension benefit, there is clear definition<sup>10</sup> but it will not be applied to the foreign workers<sup>11</sup>.

### 3.2 Application

BPJS Employment is obliged to expand the application of all labor insurance, but the current conditions of application are as follows. Workers in the informal sector and their families are covered on voluntary basis, and they are in extremely vulnerable situations such as accidents related to employment and old age.

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<sup>8</sup> Compulsory education is up to high school by the age of 17.

<sup>9</sup> Article 15, UU

<sup>10</sup> Decision of Ministry of Manpower will be issued shortly

<sup>11</sup> In case there are foreigners who paid their contribution before the enactment of decision, premium paid to the scheme will be reimbursed upon the application.



**Table 3-1: Application of Social Insurance System by BPJS Employment**

Scheme	Formal Sector		Informal Sector
	Large and Medium Size	Small and Micro Size	
Work Injury Insurance	Compulsory	Compulsory	Voluntary
Death Benefit	Compulsory	Compulsory	Voluntary
Old-age Benefit	Compulsory	Voluntary	Voluntary
Pension Benefit	Compulsory	Voluntary	-

Source: BPJS Employment

Note: Under the Law, capital amount with IDR 500 million or sales amount with IDR 30 billion is classified with medium size company. However, company with 50-1000 workers is categorized as medium size company, and more than 1000 workers is categorized as the large size company. There is no definition about small and micro size companies but operationally 3-49 as small and below 2 is micro size.

### 3.3 Premium and Collection

Social insurance premiums for formal sector workers are deducted from salaries and employers are responsible for paying insurance premiums based on the monthly salary of each worker declared to BPJS Employment. Regarding foreigners working in Indonesia, if you work for more than six months, they need to join all social insurance schemes excluding pension insurance. The idea of "six months" is applied at the beginning of employment if such employment is fixed more than six months. On the other hand, if the employment does not expect to exceed six months, it will be applied when it exceeds six months.

**Table 3-2: Premium rate and amount of Social Insurance Schemes**

		Work Injury Insurance (JKK)	Death Benefit	Old-age Benefit*4 (JHT)	Pension Benefit*5 (JP)	Health Insurance
Target		All the formal sector workers (Compulsory). However, foreigners will be covered compulsorily if they work more than six month (Excluding pension insurance. Informal sector workers are covered on voluntary basis.				All the population
Premium	Employer	Fixed Salary: 0.24%, 0.54%, 0.89%, 1.27%, 1.74%*2, *3	Fixed salary: 0.3%*3	Fixed Salary: 3.7%*3	Fixed Salary: 2%*1	Fixed Salary: 4%*1
	Employee	Non	Non	Fixed Salary: 2%	Fixed Salary: 1%*1	Fixed Salary: 1%*1
	Informal sector (only insured persons)	Based on the income, IDR 8,200 (Minimum), IDR 10,000, IDR 207,000 (Maximum)	IDR 6,200/month	Based on the income	-	Premium according to the class of hospitalization Class 1: IDR 59,500 Class 2: IDR 42,500 Class 3: IDR 25,500
Implementing Agency		BPJS Health				BPJS Health

\*1: Maximum amount of fixed salary is IDR 7,000,000.

\*2: Based on the risk of accidents

\*3: No upper limit with fixed salary

\*4: Old-age benefit is paid upon the request at the retirement, but it is provident fund to be paid when workers reached retirement age.

\*5: Old-age pension is paid month until pensioner dies

Source: BPJS-Ketenagakerjaan <http://www.bpjsketenagakerjaan.go.id/?lang=ENG>

Social insurance premium of formal sector worker can be paid by the employer to the bank account designated by BPJS Employment or directly at the branch office of BPJS Employment. BPJS Employment also promotes the payment points at the branch offices of Ministry of Manpower for premium collection and a wide range of collection methods are being considered. In addition, BPJS employment trained about 200 inspectors in 2016, and active promotion and collection of premium are expected to conduct<sup>12</sup>. For the payment schedule of insurance premium, companies using internet environment need to submit the information of the amount of premium for each employee from 1st to 5th of each month, and the employers must pay their contribution by 15th of each month. If the payment is delayed, a notice will be sent to the branch office of BPJS Employment for the action.

If malicious delinquency is acknowledged, the local labor bureau will impose penalty based on actual conditions, such as suspension or deprivation of the operational license. Since BPJS Employment does not have the authority to perform disposition as compulsory power, there is a time lag between confirmation of delinquency and implementation of delinquent disposition, resulting in increased insurance premium payment being incurred. There is no regulation to protect workers even when such case has occurred<sup>13</sup>.

### **3.4 Work Injury Insurance**

If the employee suffers health damage due to occupational accident, all medical expenses related to medical care will be paid from work injury insurance scheme. In addition, 100% of wages are guaranteed for the first six (6) months, 75% of the wages are paid for the following six, (6) months and 50% of the wages are paid for the next following six (6) months when necessity is acknowledged by the BPJS Employment.

BPJS Employment is promoting "Return to Work = RTW" even if there is disability left, and urges companies or such employer to allow work as much as possible in the original workplace, or change the workplace which may be suitable for this employee. However, this measure has no enforceability, is up to the corporation.

In case the employee dies due to a work accident, 60% of wages are paid for 80 months. If the worker has children, IDR 12 million is paid for a scholarship, IDR 3 million is paid as funeral fee, and IDR 200,000 is paid to bereaved families as a solatium for 24 months.

### **3.5 Pension Insurance**

Pension insurance is a new benefit by BPJS Employment. It is an insurance that was not provided by JAMSOSTEK in the past, and because subscribers do not fully understand the concept of "pension", it is

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<sup>12</sup> Based on th information in November 2017

<sup>13</sup> Different treatment compared with Japan. (in Japan, it is treated as if the employee is paid their contribution)

required to promote vigorous dissemination activities in the future.

#### (Old-age Pension)

In order to receive old-age pension, minimum 15 years of contribution period is required and the same time, such person need to reach pensionable age which is 56. Pension amount is calculated with the following formula:

$$\text{Pension amount} = (\text{Number of Month subscribed} / 12) \times 1 \% \times \text{Average Income}$$

The minimum pension amount is IDR300,000 per month and the maximum amount is IDR 3.6 million.

When calculating the annual amount, BPJS Employment utilizes the average income in the past with the consideration of inflation rate as a multiplier. The detailed rate has not been confirmed as of November 2017 (it is not clearly stipulated in law)<sup>14</sup>. Also, the amount of pension benefit is adjusted according to the inflation rate<sup>15</sup>.

A lump-sum benefit is paid to those who does not have 15 years of contribution period.

Payment of old-age pension will start from 2019 under the current scheme.

#### (Disability Pension)

In case subscribers become severe and permanent disability, disability pension is paid. The amount of disability pension is calculated with the same formula of old age pension (100%).

#### (Survivors Pension)

##### Widow / widowed pension

If the beneficiary dies, survivors' pension will be paid to a widow or widow who is the heir. The period to be paid is until the heir dies or remarries. The amount is 50% of that which is obtained by the calculation formula of the old-age pension.

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<sup>14</sup> This means there is some time before old-age pension benefit is paid. It is necessary to respond by the Government

<sup>15</sup> Article 29, section 1 and 2

### Survivor pension for children

If a beneficiary dies, a survivor's pension will be paid to the children aged under 23. As a requirement for payment, if the children become over 23 years of age or marries, survivor pension will be suspended. Upon reaching the age of 23, the right to receive the survivor pension disappears. The payment amount is 50% of the amount obtained by the calculation formula of the old-age pension.

### Benefits to a single parent

If the deceased beneficiary has an unmarried parent, 20% of the amount obtained by the formula for calculating the old-age pension amount is paid to the single parent.

### **3.6 Death Benefit**

Death Benefit is paid to bereaved families when the insured dies. IDR16.2 million as a temporary benefit, IDR 200,000 as a regular solatium for 24 months, IDR 3 million as funeral fee will be paid. A total of IDR 24 million will be paid from this scheme.

Also, if there are children, IDR 12 million will be paid as a scholarship, but there is a condition that the insured period is more than five (5) years.

### **3.7 Old Age Benefit**

Old age benefit is originally functioned as a provident fund to alleviate the loss of income at the time of retirement, but the characteristic of the benefit was changed when the operation of labour insurance was transferred from former JAMSOSTEK to BPJS Employment.

Under the current system, the deposit amount that can be withdrawn upon retirement due to dismissal or self-convenience by attaching a "retirement certificate" issued by the Regional Labor Bureau.

Payment of old-age benefit is the sum of past accumulated funds plus interest, but BPJS Employment gives higher rate than general financial institution's interest rate by returning original investment and its profit, and currently BPJS Employment gives 8.9% - 10% of interest rate annually<sup>16</sup>.

This benefit is paid to bereaved families if the insured dies.

### **3.8 Implementation Agency (Including Training Institution)**

As mentioned earlier, BPJS Employment is an institution that implements the four branches social insurance system excluding health insurance. BPJS Employment is the implementing agency established by law and it receives supervision by the Ministry of Manpower. BPJS Employment has branch offices in each province, each branch has several sub-branch offices. BPJS Employment Headquarters is located in

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<sup>16</sup> This interest rate is higher than market rate.

Jakarta City and has 339 bases nationwide (branch offices 121, sales offices 218). There are 4,400 staff in BPJS Employment (branch offices and sales offices), 509 in the Headquarters, and the remaining belong to the district.

**Table3-3: Number of BPJS Employment Officials (Approx.)**

	Number of Officials (2013)
HQs	509
Branch Office (121)	3,891
Sales office (218)	
Total	4,400

Source: BPJS Employment

BPJS Employment is no longer a state-owned corporation like JAMSOSTEK, but it is a public institution stipulated by law. BPJS Employment is required to maximize the interests of subscribers, not enterprises pursuing profits<sup>17</sup>. For that reason, it is required to proactively conduct transparency and information disclosure of their works. Therefore, the Annual Report is made directly to the President, not to the Ministry of State Enterprises (MSOE). The annual report is submitted bi-annually.

### **3.8.1 Training Institution**

BPJS Employment has a training institution and provides trainings for staff. The training institution is located in Bogor, and recently the Institution carried out training programs such as Perisai and Aggregator<sup>18</sup> in a timely manner.

A training program is established for each job class or job type, and a mechanism is regularly established for training from each regional office or branch office

<sup>17</sup> JAMSOSTEK was profit seeking organization. Therefore, they are reluctant to persuade people to join the system.

<sup>18</sup> There is an expert called aggregator who mainly collect the premium. After the introduction of Perisai, treatment of aggregator needs to be discussed.

## Chapter 4 Overview of Health Insurance System

According to Law No.24 (UU 24/2011) of 2011, it stipulated that BPJS Health has the role of implementing the health insurance system. To carry out this direction, BPJS Health began implementing the system on 1 January 2014. The previous health insurance system was divided into several systems such as JAMSOSTEK (for private employees), ASABRI (for military personnel and police officials), and JAMKESDA (for poor people implemented by local governments). In order to integrate those systems, PT Askes (Persero) has centralized their functions and transformed them into BPJS Health as the agency that has jurisdiction over health insurance system.

**Table 4-1: Outline of Old System**

	① ASKES ② ASABURI	JAMKESMAS/JAMKESMA	JAMSOSTEK	Private insurance
Implementing Agency	ASKES	Mainly local governments	JAMSOSTEK	Private insurance company
Insured	① Civil servants, retired civil servants ② Military officers, police officers	The poor	Formal sector workers	Those who are willing to have.
Application	Compulsory	Social Welfare	Compulsory	Voluntary
Premium	Employee: 2% of income Government: 2% of income	None	Employer: 3-6%	Depending on private insurance company
Benefits	Mainly contracted with public hospitals  Primary care: Free Secondary Care: Copayment Referral System	Mainly contracted with public hospitals  Primary care: Free Secondary Care: Free Referral System	Mainly contracted with public hospitals  Primary care: Free Secondary Care: Copayment Referral System	Contracted hospitals by insurance company  Free access to the contracted medical institutions. Copayment depends on the contents of the contract

Source: JICA Report

National Health Insurance (JKN) was introduced in a form that unifies various systems excluding private insurance.

### 4.1 Application

All the citizens of Indonesia must be covered by the Health Insurance System after 1 January 2014.

For insured persons who had joined ASKES, ASABRI and JAMKESMA, they were automatically transferred to JKN system, and there was no procedures for a new application. However, with regard to insured persons who used to join JANSOSTEK or private insurance, it is necessary for the employer to transfer the records and register, and those procedures for employees of medium- and large-size

companies have been completed by the end of 2017. From now on, the focus will be put on the work for transferring and newly applying employees of small and micro companies.

On the other hand, for the poor, premiums are covered by public funds as before, and poor people are supposed to receive medical services without any payment in principle.

Registration as an insured person can be done at the BPJS Health branch office<sup>19</sup> located throughout the country, but there are many inconveniences in the registration itself, as branch offices do not exist in the remote islands. From 2016 onwards, Kader-JKN (details to be described later) are experimentally introduced to strengthen application and premium collection activities. This Kader-JKN has been deployed nationwide since 2017, and as of October 2017, 1,689 Kader-JKN are active. In addition, Kader-JKN admits a part-time jobs, and since there are many people involved in part-time work, the effectiveness is unknown.

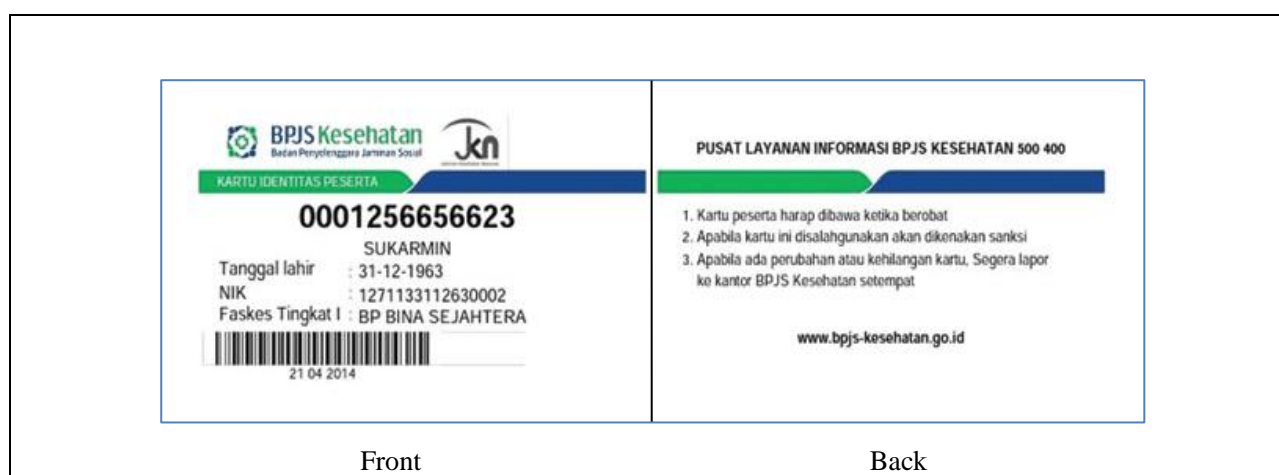


Figure 4-1: National Health Insurance Card (Sample)

## 4.2 Premium

The employees of national and state own companies, and civil servants need to pay their contributions as 5% of their salary amount shared as 2% for employees and 3% for employers. Employees of private companies also need to pay their contributions by 5% of their salary amount shared as 1% for employees and 4% for employers.

Since the income amount of those who work in informal sector cannot be specified, the amount of premium for health insurance is subject to conditions of beds when they are hospitalized.

There are three (3) classes depending on their needs; Class 1 is IDR 59,500, Class 2 is IDR 42,500, and Class 3 is IDR 25,500.

<sup>19</sup> Registration can be done on HP but confirmation of subscribers requires to show individually, they have to visit BPJS branch offices.

Regarding collection of insurance premiums, they are deducted from employee's monthly salary, and employers are supposed to pay BPJS Health together with insurance premiums paid by employers. Employers are required to pay insurance premiums by the 10th of every month, and if the payment is delayed, 2% interest against the amount of insurance premium will be charged as the penalty.

For family members, up to four children, parents and parents-in-law are covered, but 1% of salary per person is added as a premium. There is no employer burden on this part.

Also, people in the informal sector such as self-employed will pay their contribution from their registered bank on the 10th of every month.

In the previous system, it was possible for some private companies to subscribe to private insurance for employees. But after implementation of the National Health Insurance Scheme (JKN) all the employees in formal sector are required to subscribe on compulsory basis. It should be decided if business owners should only join JKN or join private insurance as well.

**Table 4-2 Premium rate of health insurance scheme<sup>20</sup>**

	Employee	Employer	Dependent/person
Premium rate (Formal Sector)	1% of Monthly Salary	4% of Monthly Salary	1% of Monthly Salary by the insured
Premium rate (Informal Sector)	Class 1: IDR59,500 Class 2: IDR42,500 Class 3: IDR25,500	-	Class 1: IDR59,500 Class 2: IDR42,500 Class 3: IDR25,500
Other information		Employer must pay total amount of premium by 10 <sup>th</sup> of each month	Up to 4 children, 2 parents, and 2 parents in law

Source: BPJS Health Brochure

In BPJS Health, in order to streamline the work of insurance premium collection, they utilize the residents' data of the Ministry of Home Affairs and data on the poor in welfare offices that have jurisdiction over the area, linking information when conducting registration work in BPJS Health. In particular, such data is used for the application by the poor and for efficient application of informal sector workers. In addition, in order to improve convenience when paying insurance premiums, there is cooperation with the BPJS Health system in cooperation with banks (Mandiri Bank, BRI Bank, BNI Bank) with branch offices and sales offices in the province, and post offices<sup>21</sup>. Subscribers can use ATMs of the above three banks to transfer insurance premiums. It is said that such a business tie-up leads to the acquisition of new customers for banks as well.

### 4.3 Delivery Mechanism of Medical Service

The situation of medical service supply in Indonesia is six (6) beds and three (2) doctors per 10,000 people. This is a lower level compared with other ASEAN countries. Upon introducing JKN, the Government planned to increase 150 hospitals by 2015 and plans to increase 125,000 beds by 2019. However, the

<sup>20</sup> The premium of the poverty is subsidized by the government with the amount of IDR19,255.

<sup>21</sup> Premium can be transferred from each ATM and such information will be stored with BPJS record system directly.



impact of such efforts on the population of 250 million people is limited. Therefore, the Government is also promoting to attract private medical institutions and to strengthen missing medical services. However, since Indonesia is an island country, the problem of access to medical service is likely to continue to be a significant challenge in the future.

As of 2013, out of 2,300 public and private hospitals throughout the country, 1,700 hospitals and over 9,200 health centers are participating in JKN.

#### 4.4 Medical Service provided by JKN

Regarding medical services, people can receive the same medical service regardless of the payment class or amount of the premium. But in order to receive medical service covered by JKN, except for the emergency case, the patients first visit the designated medical institution, and if the patients are consulted and judged as serious injury or illness, they will be transferred to the secondary care with the reference letter. In the case of consultation directly at a superior medical institution, in principle, the full amount of medical cost will be paid.

In JKN, medical services are common in public hospitals operated by the government and health centers (PUSKESMAS) operated by local governments (prefectures and municipalities). In the case of receiving consultation / treatment at a private hospital not participating in JKN's network, medical cost will be paid entirely by the patient (except in case of emergency).

For the general examination route, the insured person first consults at the health center, clinic, hospital (D class)<sup>22</sup> registered as their own primary medical institution. These medical institutions have the function as gatekeeper, and in the old system for poor people such as SAMKESMAS, those who were able to see a secondary medical institution directly were also collected. This aims to reduce the examination fee and make appropriate use of JKN.



**Figure 4-2: Entrance of PUSUKESUMAS and Situation of Beds (Lombok)**

<sup>22</sup> Medical institutions are classified with A, B, C and D. Class D is recognized at the same level of clinics. Class A medical institutions provide high level medical care and Class B and C is based on the size of medical institutions.

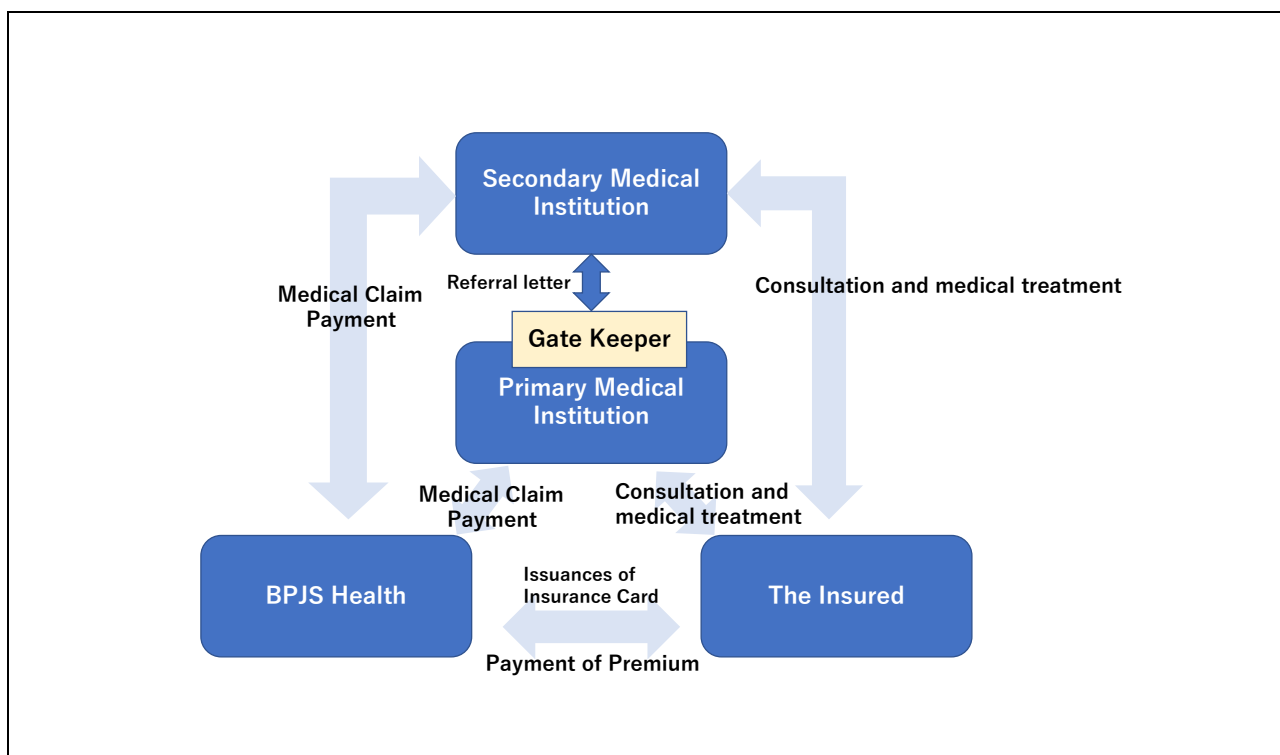
**Primary care:** Consultation, examination, treatment, diagnosis and treatment by general doctor, surgery, various prescription, etc. are available.

**Secondary care:** Examinations, examination, treatment, surgery, various prescriptions by specialized doctors. Including inpatient consultation, treatment and intensive care unit treatment.

**Tertiary care:** The same as secondary care, but medical service can be more sophisticated.

At the time of admission, the hospital room varies depending on the class of insurance being subscribed, (namely classes 1, 2 and 3). (For example, a large room with a number of beds is for Class 1)

Even in Indonesia, the system consists of primary medical institutions, secondary medical institutions, tertiary medical institutions similar to Japan, but basic handling is different as follows.



**Figure 4-3: Service Delivery Mechanism**

Source: Survey Team

Payment to the medical institution is made based on the medical fee payment schedule upon receipt request from the medical institution. However, for the primary medical institution, the insured person is registered in the primary medical institution depending on the number of the registrations. In addition, expenses for drugs etc. necessary for treatment are paid separately based on the price list.

**4.5 Health Insurance Financing**

As mentioned above, Indonesia aims to enroll all people by 2019 (100% coverage). It is not easy to enroll people in the informal sector, and BPJS Health has targeted poor people who can easily utilize their

services. Because these people are not obligated to pay insurance premiums, hurdles for joining are very low, and the same also for people with high health risks. In addition, because the poor do not fully understand the concept of national health insurance, there are also cases of incorrect examination by medical institutions. Although there are government subsidies, the amount is small compared with the insured<sup>23</sup>, and it was expected to have a bad influence from the viewpoint of fiscal balance. In fact, the fiscal deficit in 2017 is huge, and so BPJS health has been forced to negotiate with the Ministry of Finance. It is necessary to analyze the entire health insurance system again, such as revision of insurance premiums and review of the amount of government subsidy, and reconfirm the location of the problem.

Currently, both the "service delivery" and "finance" (which are the basis of the health insurance system) are not compatible, and there is a possibility that the confidence in health insurance itself may be unstable.

#### **4.6 Implementing Agency**

PT ASKES (PT Asuransi Kesehatan) which had operated medical insurance scheme for civil servants were transferred to the main body and authority as the BPJS Health. PT ASKES officials and facilities were transferred to BPJS Health. In addition, health insurance schemes operated by JAMSOSTEK, ASABRI, and JAMKESDA were also integrated into BPJS Health in order to establish a comprehensive health insurance scheme.

Article 10 of the Law (No. 24 of 2011) stipulates the legal responsibility of BPJS Health, and their specific work is as follows.

- (1) Subscriber registration (application)
- (2) Collection of insurance premium
- (3) Receipt of subsidies (national subsidy)
- (4) Investment of Social Security Fund
- (5) Management of Insured Persons' Data
- (6) Medical fee payment to medical institutions (including medical claim examination)
- (7) Promotion activities about the health insurance to people

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<sup>23</sup> Unit price is set approximately IDR6,000-10,000. Amount is different based on state government.

## **Chapter 5 Certification System in Indonesia**

In Indonesia, while the number of workers is expected to increase rapidly, there are quite a few preschoolers or dropout students at the present, it has been recognized that there would be a problem from the viewpoint of securing the quality of labor force. It was similar in industries such as general service industries and services requiring high skills and advanced knowledge

For this reason, Indonesia Qualification Framework (IQF) has been introduced based on the Presidential Decree (No. 8, 2012), Law (No. 12, 2012), Notification of Ministry of Education Culture (No. 73, 2013) as legal grounds

This IQF has four (4) pillars namely (1) Moral and Ethics, (2) Work and Competence, (3) Autonomy and Responsibility and (4) Knowledge Comprehension, and through the activities based on IQF, the improvement of quality labour will be achieved.

Ministry of Education and Culture is mainly responsible for the implementation of IQF base donthe curriculam of respecitice educational institutions.

On the other hand, in Indonesia there is an institution under the jurisdiction of the President which is in charge of vocational qualifications. It is called Badan Nasional Sertificasi Profesi (BNSP), and through the approval of the establishment of a Vocational Qualification Accreditation Organization (LSP) about the qualities required of workers in each job / industry / company, the quality of workers is secured.

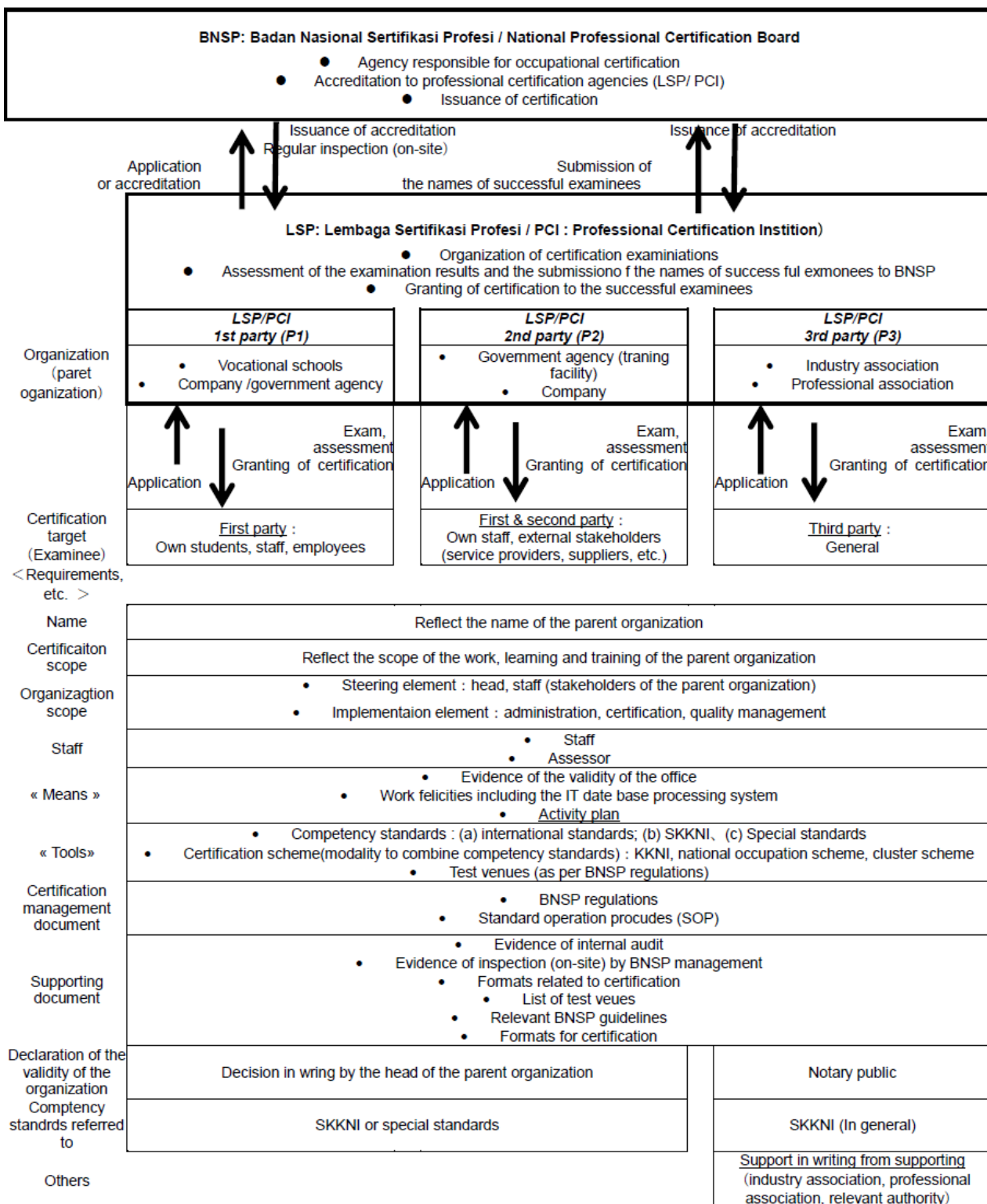
In order to respond to the rapid increase in the labor force in this way, improve the quality by conducting vocational training through training at the LSP and improvement of the quality of the work force through education (IQF), the Government is improving the quality of labour force.

### **5.1 Overview**

This chapter provides the summary of the field survey related to the certification system in Indonesia, focusing on certification mechanism, requirements on the professional certification institutions and certification schemes (combination of competency standards).

#### **5.1.1 Certification Mechanism, Requirements on the Professional Certification Institutions**

Figure 5-1 provides the overview of the certification mechanism, requirements on the professional certification institutions in Indonesia.



**Figure 5-1: Certification mechanism, requirements on the professional certification institutions**

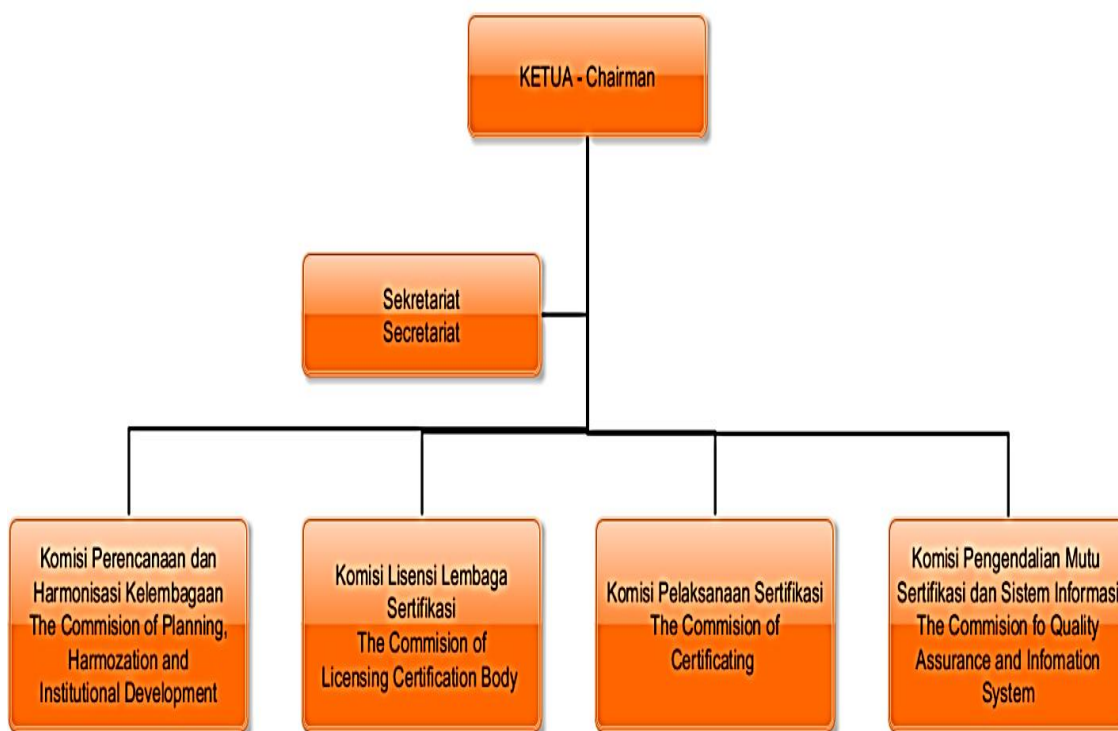
Remark: SKKNI: Standard Kompetensi Kerja Nasional Indonesia (National Competency Standard: NCS) / KKNI: Kerangka Kualifikasi Nasional Indonesia (Indonesian National Qualification Framework: INQF)

Source: Based on various related reference documents

### 5.1.2 BNSP (National Professional Certification Board) / Badan Nasional Sertifikasi Profesi)

BNSP (National Professional Certification Board, or Badan Nasional Sertifikasi Profesi in Indonesian) is responsible for professional qualification in Indonesia. It is an organization directly under the President. The affiliated council consists of ten representatives from the government, and 15 representatives from the industry and/or professional associations. BNSP aims at developing a workforce with appropriate certifications, through the establishment of vocational qualifications meeting the needs, and the organization of training programs in line with the relevant qualifications.

Figure 5-2 shows the organigram of BNSP.



Source: BNSP website (accessed on November 22, 2017)

**Figure 5-2: Organigram of BNSP**

## 5.2 Professional Certification Institution (LSP/PCI)

### 5.2.1 Types of LSP/PCI

As shown in Figure 5-1, the concrete procedures of certification (announcement of exams, registration of examinees, organization of exams, scoring, preparation of the list of successful examinees, etc.) are not handled directly by BNSP, but by a certification institution called LSP (Lembaga Sertifikasi Profesi, or in English, Professional Certification Institution: PCI) accredited by BNSP, the details of which are explained below.

LSP/PCI is categorized into 1st party, 2nd party, and 3rd party. As described below, the main difference relates

to the main organization responsible for the establishment (parent organization) and the target of certification<sup>24</sup>. The details are described in Annex 1<sup>25</sup>.

■ LSP/PCI 1st party

An entity to certify individuals belonging to own organization. It is in either one of the following form.

(a) An entity established by an Industrial association, organization, etc. It assesses and certifies their own employees.

(b) An entity established by a vocational or professional school, to assess and certify their own students.

■ LSP/PCI 2nd party

An entity which certifies own employees or suppliers (stakeholders)<sup>26</sup>.

■ LSP/PCI 3rd party

An entity established by an industrial association and/or a professional a. association<sup>27</sup>, and supported by a competent authority. The target of its assessment/ certification is the general public. According to the interview conducted at BNSP, there are many 3rd party LSP/PCI which are based on public-private partnership.

### 5.2.2 Difference between LSP P-2 and P-3

As mentioned above, regarding the difference between LSP P2 and P3, it is utilized for the purpose of the qualification system in the organization's network, etc. to maintain the qualities of workers and the quality of work, but like BPJS, the Team confirmed that the qualifications in institutions has been dealt with as if the national qualification system. On the other hand, Kader-JKN and Perisai are regarded as stakeholders / staff of BPJS for subscribers and non-subscribers, so there is no distinctive problem from the standpoint of legal development in that sense. Currently, as both qualifications are applied for business only to extend the coverage and collection of insurance premium, the Team consider that whether the qualification should be LSP P2 or P3 when it is necessary to decide.

In the future, when Kader-JKN and Perisai are allowed to do businesses other than extension of coverage / collection premium, such as mediation of labor disputes, they should consider establishing P3 guaranteeing the "business monopoly" as a professional qualification.

According to BNSP, the qualification issued by LSP P2 is assumed to be qualified for use within the organization's network, and if it can be considered as a generally accepted qualification, it is necessary to acquire LSP P3

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<sup>24</sup> BNSP leaflets: "03 National System of Professional Certification" / "04 Developing Professional Certification Institution"

<sup>25</sup> BNSP leaflet: "04 Developing Professional Certification Institution" / Interview at BNSP. At the time of the third field survey (January 2018), there is LSP on-line registration page in the BNSP website ([http://www.bnsp.go.id/formulir/pendaftaran\\_lsp/formulir\\_online\\_pendaftaran\\_lsp.html](http://www.bnsp.go.id/formulir/pendaftaran_lsp/formulir_online_pendaftaran_lsp.html)), which nevertheless does not allow the uploading of documents. It is limited to providing basic information. The detailed requirements for LSP/PCI are provided in Annex 1.

<sup>26</sup> It is possible for a multiple number of LSP/PCI 2nd party sign an MOU, in order for the certification of the common second party.

<sup>27</sup> An industrial association consists of legal entities (companies or organizations) in the relevant industry, and a professional association, of individuals practicing profession in the relevant industry.

### 5.2.3 Number of LSP/PCIs

The basic information of LSP/PCI BNSP may be obtained at the BNSP website (<http://www.bnsp.go.id/sertifikasi/lsp/10>). The following data of LSP/PCIs, obtained on November 23, 2017, during the field survey. There was a total of 905 LSP/PCIs throughout the country (see the Annex 2 for “LSP/PCI” for details<sup>28</sup>). As shown below, the number of 1st party LSP/PCIs is far larger than the other two categories. This may be because of a large number of (vocational) schools, which constitute part of 1st party.

- 1st party: 658 entities

Most of those listed are (vocational) schools (corresponding to 5.2.1 (a). There also others (corresponding to (b) above, and those in red characters in the “LSP/PCI List”).

- 2nd party: 39 entities

These are mainly training facilities and centers.

- 3rd party: 208 entities

The detailed information of most of these entities are apparently not available on websites, etc. (as of November 2017). According to the information available, many of these are certification institutions of which establishment involved industrial and/ or professional associations.

BNSP website allows occupation (sector)-specific search on LSP/PCI. The breakdown of LSP/PCI apparently in the area of health, employment and social insurance is provided in Table 1 below.

**Table 5-1: Number of LSP/PCI in the field of Social Security**

Unit: places

Sector		1st party	2nd party	3rd party	Total
Indonesian	English <sup>29</sup>				
Kesehatan	Health	1	0	2	3
Ketengakerjaan, keselamatan dan kesehatan kerhja)	Employment, occupational safety and health	1	0	5	6
Keuangan	Finance	1	1	11	14
Asesmen pelatihan	Training assessment	0	0	1	1
Jasa perusahaan konsultasi	Company consultancy service	0	0	4	4
Jasa kesehatan	Health service	1	1	1	3
Perantara keuangan	Financial intermediary	0	0	1	1
Ahli asuransi	Insurance expert	0	0	2	2
Teknisi akuntansi	Accounting technician	1	0	0	1

Source: BNSP website (accessed on November 22, 2017)

### 5.2.4 Certification Examination

The certification examination that LSP/PCIs conduct is as follows.

<sup>28</sup> In this BNSP website, BPJS Health (BPJS Health) is listed as 3rd party. However, as per the confirmation by the person in charge during this field survey, it is in reality a 2nd party.

<sup>29</sup> Translation by the survey team.



- 1) Self-assessment: Preparation and submission of application documents by an examinee.
- 2) Assessment of the documents as per item 1) by assessor(s).
- 3) Examination: Based on the decision by the examination committee within an LSP/PCI, in consideration for the occupation category, the situation of LSP/PCI, and the recommendations by assessor(s), the examination is organized in one or more of the following format.
  - Direct evidence: practical examination.
  - Indirect evidence: assessment of the portfolio (resume).
  - Additional evidence: verbal or written examinations on set questions.

The “assessors” as above are LSP/PCI-affiliated persons, who have completed training programs designated by BNSP<sup>30</sup>. The training is generally conducted by a master assessor (who has conducted assessment as afore-mentioned assessor 20 times or more, who belong to LSP/PCI or freelancers in contract with LSP/PCI).

### **5.2.5 Certification and Issuance of a Certificate**

On average, the examinee is notified of the result in approximately one to two weeks after the organization of the certification exam. The certificate is issued by BNSP, based on the list of the successful examinees sent by respective LSP/PCIs. On average, the issued certificate is sent to the LSP/PCIs in approximately one week after their submission of the list. While the validity of the certification varies according to occupation categories, it is on average three years.

A sample of the certificate is attached in Annex 3. On the front, both in Indonesian and English, there are the number of the competency, name of the examinee and his/her examinee number, the name of the competency, the date of obtaining the certification and its validity, the name of the LSP/PCI (“on behalf of BNSP”), and the signature by the Chairman. On the back, in Indonesian and partly in English, there are the name of the competency and its code and units, the date of obtaining the certificate, the name of the examinee and his/her photo, the name of the LSP/PCI (“on behalf of BNSP”), and the signature by the Certification Head.

### **5.2.6 Accreditation Process for LSP/PCI**

As mentioned above, in order to carry out certification examinations as LSP/PCI, the accreditation from BNSP is required. In principle, it is necessary to prepare for the requirements described in Figure 5-1 (of which details are provided in Annex 1), and then proceed to the application to BNSP following the designated formats. Table 2 indicates the flow consisting of concrete steps for LSP/PCI accreditation, and main organizations concerned. According to the field survey, the time required for the respective steps differ in accordance with the situations. In Table 5-2, the information in this regard, obtained through interviews at BPJS Health and BPJS Employment, is indicated, for reference. The cases of BPJS Health and BPJS Employment for LSP/PCI application are provided later in this Chapter.

It should also be mentioned that the main elements of the application relates to the establishment of competency standards and certification schemes, which will also be explained later in this Chapter.

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<sup>30</sup> The contents of the training are described later in this Chapter.

**Table 5-2: Flow of LSP/PCI application**

<b>A. Confirmation and preparation for requirements</b>				
Step	Content	Main responsible organization	BPJS Health	BPJS Employment
A-1. Selection of LSP/PCI type	<ul style="list-style-type: none"> <li>Consider the parent organization, support organizations, and target of certification, and thus which type to apply (P1, P2, P3).</li> </ul>	(consideration within the applying organization)	- <sup>31</sup>	-
A-2. Conformation of requirements and preparation of required items and documents	<ul style="list-style-type: none"> <li>Check the requirements, documents, etc. indicated in Chart 1, Annex 1.</li> </ul>	(consideration within the applying organization)	-	-
A-3 Establishment and registration of competency units and schemes	<ul style="list-style-type: none"> <li>Consideration for competency standards (international standards, SKKNI, special standards): check if there are SKKNI relevant for the certification to apply.</li> <li>If there are no relevant SKKNI, select either to (a) establish new SKKNI; or (b) establish special standards, apply them, and have them registered.</li> <li>Consider the possibilities for KKNi, national occupational standards or cluster, make application for registration.</li> </ul>	Ministry of Manpower, Directorate General of Training and Productivity Development	Started in parallel with the step B-1, and 2 months since then for approval by the Ministry of Manpower	2016.04-2017.01

<b>B. Application to BNSP for accreditation<sup>32</sup></b>				
Step	Content	Main responsible organization	BPJS Health	BPJS Employment
B-1. Indication for the application	The applying organization contacts BNSP, to be informed of necessary steps to follow.	BNSP	2017.03	2016.01
B-2. Designation of a master assessor	BNSP designates an assessor responsible for training.	BNSP	-	-
B-2. Organization of assessor training, etc.	Dispatch of the master assessor to the applying organization for training, to be conducted in accordance with BNSP regulations.	BNSP	Several times since 2017.07-2017.12	Several times since 2016.01-2017.12
B-3. Pre-assessment	Application contents and the applying organization are pre-assessed by BNSP on-site (1 day).	BNSP	-	2017.10
B-4. Assessment	Application contents and the applying organization are assessed by BNSP on-site (1 day).	BNSP	-	2017.11
B-5. Plenary	Discussion within BNSP on the applying organization and the potential accreditation.	BNSP	-	2017.11
B-6. Witness	A model examination is carried out on-site, with the presence of BNSP (1 day).	BNSP	2017.11	(2018.02 - estimate)

<b>C. After the acquisition of the accreditation</b>				
Step	Content	Main responsible organization	BPJS Health	BPJS Employment
C-1 Inspection by BNSP (on-site)	<ul style="list-style-type: none"> <li>BNSP conducts annual inspection on-site after the accreditation is granted, with the purpose of ensuring quality, based on the status of compliance with the relevant requirements and activities carried out.</li> </ul>	BNSP	n/a	n/a

<sup>31</sup> In the Table, “-” indicates the lack of information for reasons such unavailability of detailed records by BPJS.

<sup>32</sup> Between the step B-2 and B-5, there are improvement efforts required by the applying organization, as necessary.

	<ul style="list-style-type: none"> <li>The outcomes of the certification examinations after the “witness” above may be communicated to BNSP in the form of report, or BNSP may be invited to the examinations (on a voluntary basis by the LSP/PCI).</li> </ul>			
C-2 Renewal of accreditation	<ul style="list-style-type: none"> <li>The validity of the accreditation is generally three years. The renewal requires the submission of necessary documents and on-site inspection by BNSP.</li> </ul>			
C-3 Application for a new certification	<p>If an accredited LSP/PCI wishes to add a certification scheme newly, the submission of the following documents are required, to be assessed by BNSP.</p> <ul style="list-style-type: none"> <li>➤ Letter requesting the addition of a new scheme</li> <li>➤ Letter requesting the assessment and verification of the scheme</li> <li>➤ Standards (SKKNI, special standards, international standards)</li> <li>➤ Certification scheme proposed</li> <li>➤ Summary of the certification</li> <li>➤ List of the examination venues</li> <li>➤ List of assessors</li> <li>➤ Summary of the contents of examination and assessment of its results</li> <li>➤ Report of a model examination</li> </ul>	BNSP / Ministry of Manpower Directorate General of Training and Productivity Development	n/a	n/a

The registration for LSP/PCI is in principle free of charge. The expense related to the dispatch of master assessors (allowance, etc.) is borne by the applicant. According to the outcomes of this field survey, this expense is often borne by the authority in charge of the applicant.

According to BNSP, application may be filed at any time. On an annual average, 70-80% of applicants are accredited. There are approximately 300 applications in 2016. The number of application and accreditation has been increasing in recent years. In general, from the application to the accreditation, it takes three to six months, which may vary due to various reasons.

As indicated in Table 5-2, the accreditation is valid for three years. The renewal requires the assessment by BNSP. During the three years of validity, there are annual visits by BNSP to the applicant for the purpose of verifying the fulfillment of requirements, etc.

### 5.3 Occupational Certification

#### 5.3.1 Concepts related to Certification of Occupational Qualification

Vocational qualification (kualifikasi profesi in Indonesian) certification (sertifikasi in Indonesian) aims at confirming and maintaining the competence obtained through formal or informal educational learning, internship or professional experience<sup>33</sup>. The occupational competence (kompetensi profesi in Indonesia), which constitute the vocational qualification is described as follows.

*Competence is an ability that extends beyond the possession of knowledge and skills. It includes: i) cognitive competence involving the use of theory and concepts, as well as informal tacit knowledge gained experientially; ii) functional competence (skills or know-how), those things that a person should be able to do when they work in a given area; iii) personal competence involving knowing how to conduct oneself in a*

<sup>33</sup> BNSP leaflet: “01 Scheme of Professional Certification.”

*specific situation; and iv) ethical competence involving the possession of certain personal and professional values*<sup>34</sup>.

Vocational qualification in Indonesia is demonstrated as a combination of “competency units” in accordance with the occupation, job and competency level. These are defined as follows by, for instance, the Ministry of Health, Labour and Welfare of Japan<sup>35</sup>.

An example of the combination of occupation, job and competency levels, as well as competency units is provided in Annex 4.

- Occupation: A group of “jobs” with similar contents and characteristics of work (e.g. sales, store manager, product development, procurement, etc.).<sup>36</sup>
- Job: An amount of work that requires mental and physical activities to be conducted by one worker with responsibility (e.g. sales, sales and processing)
- Competency / competence unit: occupational capability required to conduct work effectively and efficiently, combined in line with an activity unit.

### 5.3.2 Occupational Certification in Indonesia (1): Competency standards

The standards related to vocational qualification in Indonesia include: (1) international standards; (2) national standards; and (3) special standards. When establishing certification, these standards are utilized in combination as “certification scheme”. This section describes the competency standards, of which outline is shown in Table 5-3.

**Table 5-3: Competency standards**

	International standards	SKKNI	Special standards
Establishment	By multilateral agreement / international organizations	By proposal of the authority in the concerned technical sector, and discussion by stakeholders (as per designated procedures)	Discussion within LSP/PCI (possible participation of stakeholders and advice by external consultants)
Scope of application	International	National	Specific industry / organization

### 5.3.3 International standards

This refers to the standards based on bi- or multi-lateral agreements among governments, or on decisions made by international organizations. It is possible to adopt and adapt international standards in the process of establishing SKKNI and Special standards explained below, and include them in competency units.

### 5.3.4 National Standards: Standard Kompetensi Kerja Nasional Indonesia: SKKNI (National Competency Standard: NCS)

SKKNI (National Competency Standard: NCS in English) provides descriptions of competency units per sector

<sup>34</sup> “ASEAN Qualification Reference Framework.”

<sup>35</sup> During the field survey in Indonesia, the material to provide clear definitions of these terms was not available. However, considering the results of the interviews and literature review, the definitions indicated above are applicable.

<sup>36</sup> <http://www.mhlw.go.jp/bunya/nouryoku/syokunou/02.html> / <http://www.mhlw.go.jp/bunya/nouryoku/syokunou/04.html> (accessed on November 23, 2017)

(sector in Indonesia) or per category (kategori in Indonesia). SKKNI is proposed by the authority in the concerned sector and the registration is handled by the Directorate General of Training and Productivity Development of the Ministry of Manpower.

SKKNI has been established since 2004. Prior to that, qualifications, basic competencies and occupational standards have been devised by authorities responsible for respective technical fields concerned. Since 2012, SKKNI is used in combination with KKNI/INQF (explained below). There was also a revision of regulations in 2016, according to which SKKNI is under the responsibility of the Ministry of Manpower, and KKNI/INQF, authorities in charge of respective technical fields concerned. According to the interview of BNSP conducted during this field survey, a Ministry Decree is issued upon the establishment of SKKNI, to stipulate the standardization of a vocational qualification.

Between July 2004 and June 2017, 628 sets of SKKNI were established or revised. Annex 5 “SKKNI List” shows the SKKNI. The Annex 6 is the English translation of the SKKNI devised in 2017 (included also in the SKKNI List)<sup>37</sup>.

Table 5-4 is the excerpts of the contents of an SKKNI of 2017, for “Manufacturing: Basic Processing Services Repair and Installation of Machinery and Equipment Field of Machinery Repair Services for Special Purposes of Chemical Industry Machinery”. As this example shows, it describes the competency units and their code. The complete SKKNI include 52 competency units, the first five of which are included in Table 5-4.

**Table 5-4: Sample of competency units described in SKKNI (excerpts)**

No.	Code Unit	Competency unit
1	C.29OMM01.001.1	Creating Key Performance Indicator (KPI)
2	C.29OMM01.002.1	Creating Cost Reduction Program
3	C.29OMM01.003.1	Reviewing Conformity of Activity Plan with KPI
4	C.29OMM01.004.1	Developing Employee Competencies
5	C.29OMM01.005.1	Controlling Production Process

Source: Decree of the Minister of Manpower, Republic of Indonesia, Number 37, Year 2017, about determining standards for competency on national industrial category, Processing industry points, motorized vehicles, trailers and semi-trailers of vehicle industry, motored wheel , for or more (downloaded from the Ministry of Industry website<sup>38</sup>)

SKKNI also provides detailed explanation of respective competency units, as shown in Annex 7, which is the case of C.29OMM01.005.1 in Table 5-2 above.

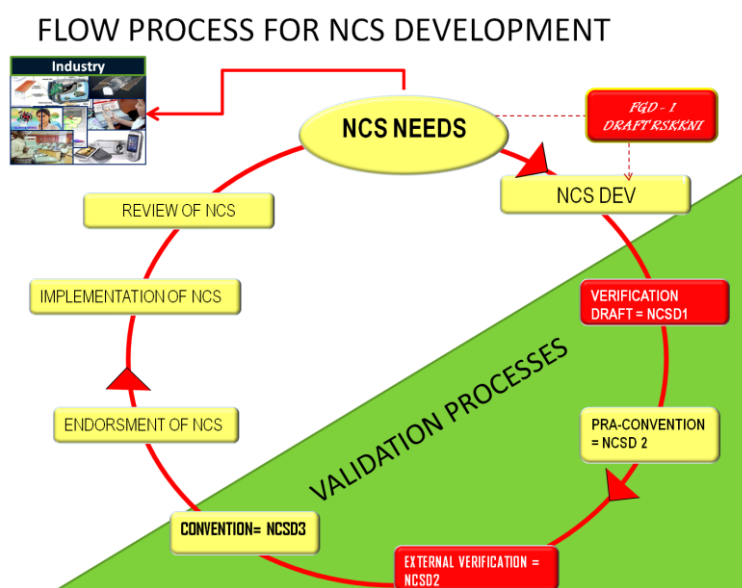
As shown in Figure 5-3, concrete steps of establishing SKKNI are as follows. According to the field survey, it takes six months to one year from step 1 to step 7.

1. NCS Needs: The authorities responsible for the concerned fields (e.g. Ministry of Industry or Ministry of Agriculture) proposes technical fields and/or occupation which they consider have need for SKKNI. Among these fields and occupations proposed, the industry selects the ones it considers necessary. The methods of proposal and selection are different among authorities. A most common method is that a concerned authority makes proposal in writing, and the industry describes the content of selection in a set format.

<sup>37</sup> Translation into English by the survey team from the original text in Indonesian.

<sup>38</sup> [http://www.kemperin.go.id/kompetensi/skkni\\_idx.php](http://www.kemperin.go.id/kompetensi/skkni_idx.php) (accessed on January 23, 2018) . Translation into English by the survey team from the original text in Indonesian.

2. NCS DEV: Approximately three to six months after step 1 above, qualifications, basic competencies and occupational standards are summarized by professional associations, companies, etc. in a form of draft (D1) called RSKKNI 1.
3. Verification Draft = NCSD1: The concerned authority confirms the first draft (D1).
4. PRA-CONVENTION=NCSD2: The first draft is confirmed by a convention attended also by stakeholders other than the concerned authority (professional associations, companies). Then, the second draft (D2) is prepared.
5. EXTERNAL Verification=NCSD2: Ministry of Manpower makes verification.
6. CONVENTION=NCSD3: The contents of the second draft are verified at, attended by about twice the number of participants than the PRA-CONVENTION above. Then the third draft (D3) is prepared.
7. ENDORSEMENT: SKKNI is registered at the Ministry of Manpower. It then proceeds to “IMPLEMENTATION” (i.e. reference at the time of training and examinations related to certification) by concerned authorities.
8. REVIEW: The validity of SKKNI is five years. In general, there is a regular review in three to four years after the “IMPLEMENTATION”.



Source: ASEAN Japan Technical Meeting on Competency Standards FY 2015 - Country Report Indonesia.

**Figure 5-3: Flow of SKKNI establishment**

### 5.3.5 Special Standard

While SKKNI serves as a nation-wide and occupation-wide vocational qualification, the special standards are used for company or organization specific standards applicable to own employees or staff members. Special standards are set up through a discussion by a specifically established Special standards team. This team includes employees and staff members who are engaged in jobs related to the standards to be set up.

As explained below, BPJS Employment and BPJS Health, when applying for LSP/PCI accreditation, set up special standards. (BPJS Health also used SKKNI.) The registration of the special standards, similar to SKKNI, is handled by the Ministry of Manpower, at the Directorate General of Training and Productivity Development.

## 5.4 Occupational Certification in Indonesia (1): Certification schemes

The framework and schemes described below are used when combining the competency units as demonstrated in the form of international standards, SKKNI and/or special standards. Table 5-5 provides an overview.

**Table 5-5 ; Certification schemes (combination modality of competency standards)**

	KKNI	National occupation qualification	Cluster scheme
Establishment	Authority concerned	Scheme committee (consisting of organizations in the concerned technical sector, industry and professional associations)	Scheme committee (within LSP/PCI, consisting of the departments concerned of the LSP/PCI)
Competency level (work level)	Level 1 to 9. Possible to select several among these levels.	Not designated. Possible however to be correlated with KKNI.	Not designated.
Competency standards to be combined	International standards SKKNI	SKKNI Special standards	Special standards

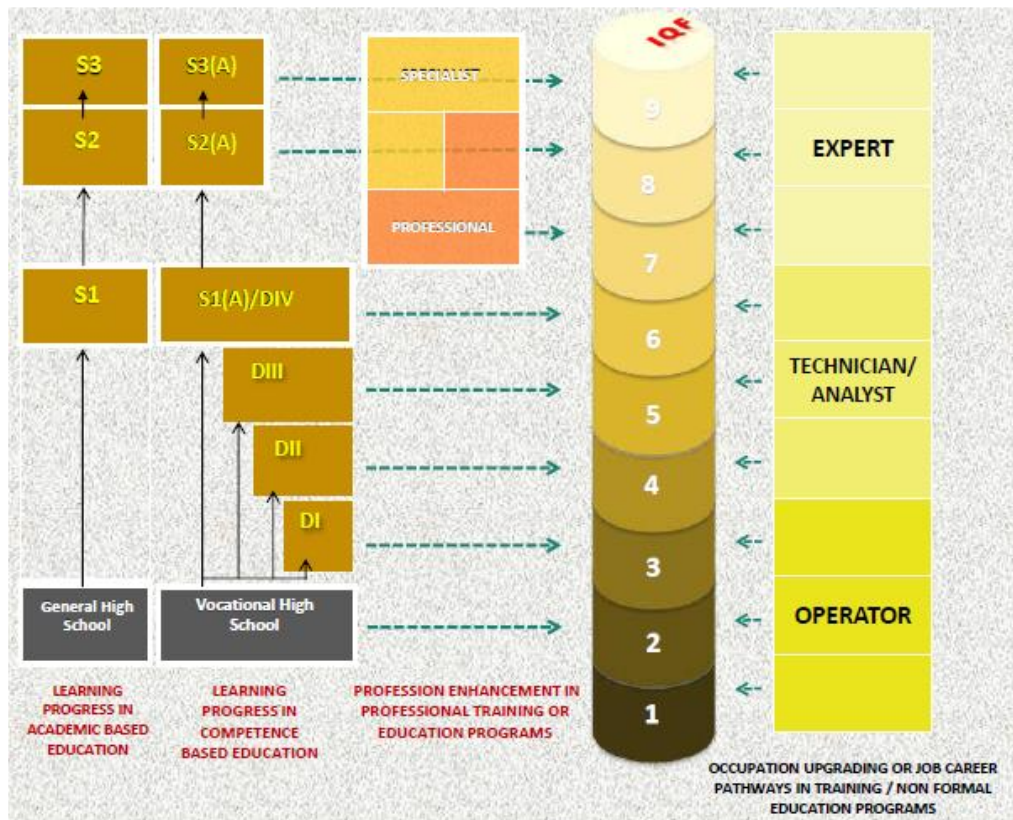
### 5.4.1 Competency Level Framework: Kerangka Kualifikasi Nasional Indonesia (KKNI) / Indonesian National Qualification Framework (INQF)

Also referred to as “KKNI/INQF, PERPRESS 2012/08<sup>39</sup>”, KKNI has been established since 2012. It provides a basis for vocational qualification (certification) system in Indonesia. It consists of levels ranging from 1 (lowest) to 9 (highest), along with the competency units corresponding to the respective levels<sup>40</sup>. Annex 8 describes the contents of work, knowledge and responsibility affiliated with respective levels.

As shown in Chart 4, KKNI/INQF is associated with formal education (learning progress in academic based education as per Chart 2), informal education (learning progress in competence based education, and professional enhancement in professional training or education programs), as well as work experiences (occupation upgrading or job career pathways in training / non-formal education programs in Figure 5-4).

<sup>39</sup> Regulation of the President of the Republic of Indonesia, Number 8, Year 2012, about Indonesian National Qualification Framework. Other regulations related to KKNI/INQF include the “Law no.13/2003 regarding to manpower development”, “Government Regulation no.31/2003 regarding the National Training System”, “Law no.20/2003 concerning the National Education System”. In addition, KKNI/INQF is also in line with the existing regulations by the relevant authorities. The implementation of KKNI/INQF is regulated by the “Minister of Manpower Regulation no.21/2014 concerning Guideline of Indonesia Qualification Framework Implementation” (ASEAN Guiding Principles for Quality Assurance and Recognition of Competency Certification Systems).

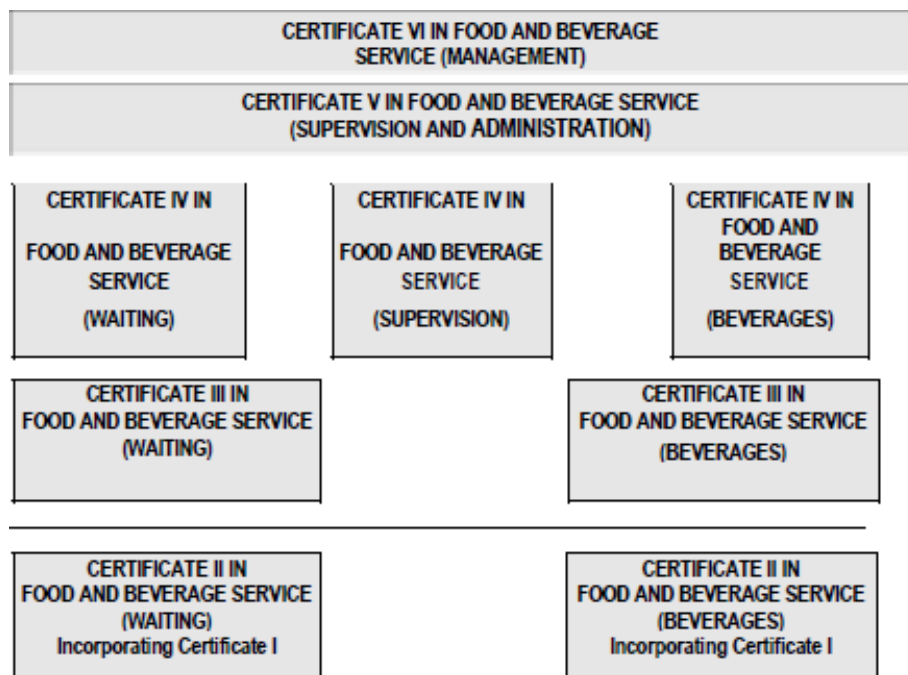
<sup>40</sup> BNSP leaflet: “05 Development Certification Scheme of INQF (KKNI/INQF)”



**Figure 5-4: KKNi/INQF, and academic and work experiences corresponding to the levels**  
 Source: Challenges and Issues of Development of NCS (INQF)

When combining competency units by using KKNi, it is not always necessary to refer to all the nine levels. Only several of them may be referred to. The Chart 5 below is an example of KKNi in the “food and beverage” sector. As indicated in roman numbers, the KKNi levels here are from two to six (as per Annex 6). The combination of the competency units with reference to KKNi is by the authority concerned, which is then responsible for the KKNi established.





Source: National Occupational Certification Schemes referring to ACCSTP and CATC on Tourism Professional in the area of Food and Beverage Service

**Figure 5-5: Certification based on KKNi/NQF (food and beverage sector)**

The example of the combination of competency units on the “certificate in food and beverage service (waiting)” is provided in Annex 9.

#### 5.4.2 ASEAN Qualifications Reference Framework (AQRf)

AQRf is a framework which is supposed to serve as a common reference among the ASEAN member countries, in order also for the comparison of respective qualification levels. The adaptation of AQRf, and the contents to be referred to, depends on the decision of the member countries. In case of Indonesia, AQRf is compared with KNNi. The former has eight levels, while the latter, nine. According to the interview with BNSP conducted during this field survey, there was a decision that the level one to level six of both frameworks are to be mutually referred to. Concerning the levels seven and eight of the former and the levels seven, eight and nine of the latter, a decision on their mutual reference is expected to be made in 2018 or later.

### 5.4.3 Professional Certification Scheme of National Occupation Qualification

This is a certification scheme concerning an occupation in an industry broadly acknowledged in Indonesia<sup>41</sup>, consisting of competencies / competency units for a work practiced in a specific organization or department. In the case of food and beverage sector mentioned above, the example may include the manager of a department, outlet manager, head waiter, bartender, waiter, etc. The establishment of this scheme is by the authority concerned, with the participation of industry and/or professional associations.

BPJS Health selected this scheme for the application for accreditation for LSP/PCI. This will be explained later in this chapter.

### 5.4.4 Cluster Professional Certification Scheme / Package

This is a scheme to comprise competencies/competency units which meet the requirements of companies/organizations even more specifically than section 5.4.3 above. The units under this scheme are even more focused on these requirements than the above. The examples include a manager or a head of a warehouse in a specific company or organization. The establishment of the cluster scheme is carried out at the “scheme committee” set up in a LSP/PCI.

BPJS Employment selected this scheme for the application for accreditation for LSP/PCI. This will be explained later in this chapter.

## 5.5 LSP/PCI Application Status of BPJS Health and BPJS Employment

Both BPJSs have been following the application process described in the section above, and obtained accreditation in November 2017. The application by both BPJSs is summarized below.

### **Box 1: LSP/PCI application and accreditation status of BPJS Health**

#### (A) Status as of September 2017 (the first field survey)

A written document to wish for the accreditation was sent to BNSP in March 2017. In April, the first meeting with BNSP was held, where BNSP explained about the accreditation including the requirements. The preparation, including the organization of assessor training, was started. In August, the decision of the chairman from BNSP was communicated, concerning the application for LSP/PCI.

#### (B) Competencies

Competency units prepared for application were Special standards (combination of SKKNI and own organization’s standards). The names of the schemes reflect the positions existing in the organization. The scheme prepared for application was Professional Certification Scheme of National Occupation Qualification (okupasi in Indonesian). Five schemes were applied. The application and registration for these at the division in charge of SKKNI in the Ministry of Manpower took about two months. During this period, several discussions and consultations were held in this division.

#### (C) Target for certification

Presently, the target was own employees (of level one, which is the entry level among five levels affiliated

<sup>41</sup> KBJI (Klasifikasi Baku Jabatan Indonesia / Classification of Normative Jobs in Indonesia) and KBLI (Klasifikasi Baku Lapangan Usaha Indonesia/Indonesia Standard Industrial Classification) may be referred to concerning nationally acknowledged occupations.

with the employees). The target number of examinees in 2017 was 50. The establishment of schemes for the level two and higher was planned, to start in about three years. There is also a plan to prepare certification for stakeholders including Kader-JKN. This is the reason for applying LSP/PCI accreditation as 2nd party. For the examinees outside of own organization, examination fee is to be charged. However, under the existing mechanisms and regulations, such monetary transaction from outside are not possible. Accordingly, legal and financial modification needs to be considered, which is to start in about two years.

(D) Methods of examination and notification

The applicant is requested to fill a designated application form, and submit it together with required documents. After the verification of the application documents and an interview (explanation about the competencies concerned) by assessors, the practical and written examinations are conducted. The outcome of the examinations is discussed at the examination committee, and communicated to the examinees in about two weeks. A failed examinee may apply for re-examination. (It may take some time to take a re-examination, due to a large number of employees needing to be examined.)

(E) Examination venue and fee

The venue is the training center in Bogor (one venue). According to h BNSP regulations on LSP/PCI, the LSP/PCI division in BPJS Health may collaborate with the training division, but the organization of the examinations and the assessment of the outcomes need to be done independently. There is no fee borne by examinees (because the examinations are for internal employees).

(F) Certification

The validity is three years. The certification may provide advantage on such occasions as promotion in the organization. For BPJS Health, since it is the first certification in the field of “social health insurance”, it will also be useful if a certified employee seeks to be a lecturer or instructor in the concerned field.

(G) Assessors

There are in total 67 assessors, most of whom are in Jakarta. They were originally selected among the employees working in the fields related to the certification schemes. The priority was given to employees responsible for insurance. In this regard, the conventionally manually done verification of the insurance application and claims, have been converted into digital verification, and thus, the verification staff is able to work at the Head Office in Jakarta.

(H) Assessor training, etc.

The assessor training was organized from 9 to 15 July 2017 (in five working days during this period), in the training center in Bogor. The resource person (instructor) was from BNSP. 67 employees participated. In addition, other training sessions were organized in the training center in Bogor, by with the instructors from BNSP: i.e. test material preparation training (May 29 to June 1 2017, where 18 employees participated), assessment tools training (July 24-26, where 24 employees participated), scheme preparation training (May 15 to 18, where 54 employees participated), and certification venue training (July 18 to 20, where 10 persons participated). The contents are described in Table 6.

(I) Development after the field survey

At the time of the second survey, the witness was planned for November 29, which was postponed to December 13, when the first examination after the LSP/PCI assessment was planned. There were 45

examines, most of whom were assessors. The purpose was for them to see the contents of the examination, which they were to become assessors. The scoring of the examination would be by the Administrative Manager. He has not taken training on master assessors, and therefore, the colleagues who have gone through this training share what had been instructed. Concerning the examinations after the completion of witness, the results of these examinations may be submitted in the form of reports. However, BPJS Health considers preferable to have the presence of BNSP.

The assessors who are not able to take examinations in 2017 may be considered as priority for examinations in 2018. In 2018 onwards, training and certification examination will be organized concurrently. This means the training at the center in Bogor will be followed by the certification examination. The training center is for internal staff, and thus, the contents of the training may be decided by decision of the Director (no

The LSP accreditation from BNSP was received in November 2017<sup>42</sup>

(J) Plan for LSP/PCI

In the framework of the BPJS Health five year plan (starting in 2016), numerical targets are set for the three-year period of 2017-2019. (In the initial year of the five year plan, namely, 2016, the LSP/PCI was not yet established.) The numerical targets are not yet fully concretized, until the due allocation of budget.

- Certification schemes: five schemes in 2017, additional five schemes in 2018, and thus in total, 10 schemes. There will be additional 15 schemes in 2019, bringing the total number to 25.
- Number of examinations: 10 times in 2018. Two examinations may be organized in one day.
- Number of persons certified: 20 persons per examination. This means a total of 200 persons in 2018 (20 persons x 10 examinations).

The priority for certification is the internal staff. The test venue is the center in Bogor.

**Table 5-6: Contents of training by BPJS Health for LSP/PCI accreditation<sup>43</sup>**

Subject	Main contents	Period (days)	Participants (persons)
Assessor	<ul style="list-style-type: none"> <li>• Regulations on certification</li> <li>• Policy setting on certification schemes</li> <li>• Planning and establishment of assessment (method, formats, test venue preparation, plan review)</li> <li>• Assessment tool establishment (identification of purpose and needs, how to fill the formats, development and maintenance of assessment environment, collection of assessment evidence, assessment support, implementation of assessment and reporting, review of assessment process)</li> <li>• Practice on the above</li> <li>• Preparation of documents in charge and application documents</li> <li>• Practice of assessment</li> </ul>	5	67
Document	<ul style="list-style-type: none"> <li>• Policy and certification system</li> </ul>	3	18

<sup>42</sup> The witness may be done after the issuance of the accreditation. As mentioned above, BPJS employment already obtained accreditation in November 2017, and plans to organize witness in February this year.

<sup>43</sup> The contents of the training are in accordance with BNSP regulations. The training at BPJS Employment thus have similar contents.

preparation	<ul style="list-style-type: none"> <li>• LSP establishment, suitability, qualify management</li> <li>• SOP (standard operational procedures) preparation</li> <li>• Format preparation</li> </ul>		
Assessment tools	<ul style="list-style-type: none"> <li>• Preparation of text materials (cluster-based assessment, identification of the scope of examination and certification)</li> <li>• Preparation of tools</li> </ul>	3	24
Scheme preparation	<ul style="list-style-type: none"> <li>• Certification system</li> <li>• Establishing competency units</li> <li>• Establishment of certification schemes</li> </ul>	3	54
Certification venue	<ul style="list-style-type: none"> <li>• Definition of test venues and terminology</li> <li>• Certification process and schemes</li> <li>• Methods of examination and assessment</li> <li>• Application and certification</li> <li>• Participants</li> <li>• LSP</li> <li>• Requirements of test venues</li> </ul>	3	10

Source: Contents of the place of competency test, Assessor training schedule / agenda, Assessment tool arrangement training schedule / agenda, Document arrangement training schedule / agenda, Scheme arrangement training schedule / agenda

**Box 2: LSP/PCI application and accreditation status of BPJS Employment**

**(A) Status as of September 2017 (the first field survey)**

The first contact with BNSP on LSP/PCI accreditation was made in January 2016. In the same month, the first assessor training (targeting 23 active employees) was organized. From April to October 2016, the work on the establishment and registration of special standards was conducted. There was a second batch of training in October 2016 (targeting 20 employees, mostly active and some retired). From October to December 2016 the internal regulations were reviewed in connection with LSP/PCI special standards. In January 2017, the registration was made at the division responsible for SKKNI in the Ministry of Manpower. In August, the decision of the chairman from BNSP on the establishment of LSP/PCI was communicated.

**(B) Competencies**

Competency units prepared for application were Special standards (combination of SKKNI and own organization's standards). They were devised under the initiative of the newly established LSP/PCI Project Team. The names of the schemes were decided by this Team, based also on the discussions with stakeholders. The scheme prepared for application was Cluster Professional Certification Scheme (klaster in Indonesian). This scheme was selected due to relatively swift procedures for application and accreditation. In the preparation was for competency units, a private consultant, who was recommended by a BNSP master assessor (who was the instructor at the first assessor training) was hired. The names of the Five schemes were applied. The application and registration for these at the division in charge of SKKNI in the Ministry of Manpower took about two months. During this period, several discussions and consultations were held in this division. The names of the competency schemes were decided in consideration also of the recommendation by this consultant.

**(C) Target for certification**

One out of six schemes, or Agent *perisai* (agen perisai in Indonesian) was for non-employees. The reason for applying LSP/PCI accreditation as 2nd party is to target also this "agen perisai" who are outside of own

organization.

(D) Methods of examination and notification

The applicant is requested to fill a designated application form, and submit it together with required documents. Assessors then decide the methods of examination (practical, written/oral exams, etc.). In average, it takes about one to two weeks since the filing of application and the communication of the examination result to the examinees.

(E) Examination venue and fee

Including the training center in Bogor, 12 venues are planned (Head office, Sumbagut, Sumbariau, Sumbagsel, DKI Jakarta, Banten, Jabar, Jaleng & DIY, Jatim, Kalimantan, Sulamalu, Banuspa). It is understood that the LSP/PCI division may collaborate with the training division, but the organization of the examinations and the assessment of the outcomes need to be done independently. The examination is free of charge presently. A fee is planned to be charged in the future.

(F) Certification

The validity is three years, upon completion of which there will be re-assessment. The certification may provide advantage on such occasions as promotion in the organization.

(G) Assessors

There are in total 43 assessors, of which 40 are based in Jakarta. 60% of the assessors are active employees and the remaining 40% are retired employees. The requirements for assessors are the work experiences related to the fields of competency units, patience, and computer literacy. A recommendation letter from the supervisor is required for an active employee. Concerning retired employees, LSP/PCI refers to the information in the alumni association and makes contact with social security related experts. The engagement of retired employees is expected to contribute to savings in related expenses. There is a plan to train additional 100 assessors in 2018, through four rounds of assessor training. According to the interview conducted during the field survey, BPJS Employment LSP/PCI is analyzing appropriate number of assessors, in view of the estimated number of examinees and the time required for one examinee.

(H) Assessor training, etc.

There was the first assessor training in 2016, with 23 participants, as described above. There was also second round training with 20 participants. The remuneration to BNSP master assessors was seven million rupiahs per person, according to the relevant regulations on public servants.

(I) Development after the field survey

The pre-assessment by BNSP was conducted on October, the assessment on November 13, and plenary (Q & A), on November 13. The action plan was submitted to BNSP at the time of the plenary. Witness had initially been planned for December and January, but was postponed to February 2018. An assessor training was organized from December 11 to 15, according to the plan. The number of participants was 19, less than 25 persons as had originally be planned. Those who passed the examination would be the assessors of the model examination to be held in February.

In the week of November 2018, the LSP/PCI office was established in the training center in Bogor, and the LSP/PCI brochure has been distributed. BPJS Employment announced "BPJS Director Regulation on Perisai Number: Perdir / 34/112017, BPJS Employment (Peraturan Direksi BPJS Ketenagakerjaan Nomor:

Perdir/34/112017 Tentang Penggerak Jaminan Sosial Indonesia, Direktur Utama BPJS<sup>44</sup>”. Reference is made to the certification at LSP/PCI (see Table 7).

(J) Plan for LSP/PCI

The planned number of examinees in 2018 is 1,700 persons (500 persons in Q1 and Q2 respectively, 450 persons in Q3, and 250 persons in Q4). The breakdown of internal staff and external persons (agen perisai) is under consideration. The managers in the LSP/PCI office are responsible for the assessment of the examination results, and also for the signature on the certification. The information has been disseminated internally and externally, as a large number of persons is expected to take examinations in 2018.

**Table 5-7: Description on LSP/PCI and certification in the “BPJS Director Regulation on Perisai”  
(excerpts)**

Item	Description (Translation into English <sup>45</sup> )
Chapter 1. General	15. <i>Lembaga sertifikasi Profesi</i> BPJS Employment, hereinafter referred to as LSP is a Professional Certification Institution established by BPJS Employment with the main purpose of implementing competence certification on human resources BPJS Employment, human resources from suppliers and / or human resources from the work-related networks, depending on the scope.
Chapter 9. Qualifications for perisai Clause 21	(1) To provide understanding on the Employment Insurance Program, <i>perisai</i> is required to attend training conducted at the Branch office. (2) To enhance competence and capability on social security, <i>perisai</i> may follow the certification of social security experts as advanced certification undertaken by LSP. (3) The advanced certification referred to in (2) may be followed by the field through the request of a <i>perisai</i> office to the Branch office to which the <i>perisai</i> office is registered, subject to the terms and conditions laid out in the decision of the Board of Directors.

Source: BPJS Director Regulation on Perisai

As mentioned above, BPJS Health and BPJS Employment are both accredited as 2nd party. During the field survey, visits were made to a 1st party and 3rd party. These cases are presented in Annex 10.

## **5.6 Competency Standards, and Certifications Potentially Related to Social Security Experts: cases of BPJS Health and BPJS Employment**

The certification of social security expert currently does not exist in Indonesia. However, the competency units proposed by BPJS Health and BPJS Employment in conduction with the application for LSP/PCI may be considered to be similar, as illustrated below.

### **5.6.1 BPJS Health**

BPJS Health prepared the certification schemes as shown in Table 5-8, for the LSP/PCI application. The scheme in Kader-JKN, which may relate the work of social security experts, is not included. However, the existing schemes concern health insurance, and therefore, may be related to the work of social security experts.

<sup>44</sup> “Penggerak Jaminan Sosial Indonesia” is the full name of perisai (interview at BPJS Employment).

<sup>45</sup> Translation into English by the survey team.

**Table 5-8: Certification scheme by BPJS Health**

Original text (Indonesian)	Translation into English <sup>46</sup>
Petugas pemeriksa dan kepatuhan	Document and compliance officer
Verifikator Penjaminan Manfaat Rujukan	Health service claim and benefit verification officer
Staf Penagihan Luran	Premium billing / collection staff
Staf <i>Frontliner</i>	Front liner staff
<i>Relationship officer</i>	( <i>same as original</i> )

Source: Professional Certification Institution LSP/PCI Second Party (LSP-P2)

**Table 5-9: Qualification scheme and competency unit by BPJS Health**

Scheme	Competency Unit <sup>47</sup>
Document and compliance officer	<ul style="list-style-type: none"> <li>• Collaborate with colleagues, entities and other parties</li> <li>• Design and develop reports, documents and worksheets on computers</li> <li>• Create a submission check plan</li> <li>• Implement submission check</li> <li>• Create a submission result report</li> <li>• Monitor follow-up on submission check</li> </ul>
Health service claim and benefit verification officer	N/A
Premium billing / collection staff	<ul style="list-style-type: none"> <li>• Communicate with customers</li> <li>• Implement cooperation with customers</li> <li>• Produce document using computer</li> <li>• Use communication equipment</li> <li>• Operate software</li> <li>• Manage premium collection</li> </ul>
Front liner staff	N/A
Relationship officer	N/A

Source: Professional Certification Institution LSP/PCI Second Party (LSP-P2)

### 5.6.2 BPJS Employment

BPJS Employment prepared six certification schemes as shown in Table 5-10, for the LSP/PCI application. Except for the one on Agen Perisai, the schemes are for internal employees. This scheme is for external staff, while the rest is for internal staff.

**Table 5-10: Certification scheme by BPJS Employment**

Original text (Indonesian)	Translation into English <sup>48</sup>
Marketing Officer	( <i>As original</i> )
Customer Service Officer	( <i>As original</i> )
Penata Madya Keuangan	Financial Management
Penata Madya TI	IT Administration
Perisai	Perisai
Penata Madya SDM	HR Administration

Source: Lembaga Sertifikasi Profesi (LSP)

<sup>46</sup> Translation by the survey team.

<sup>47</sup> English from the original text by BPJS Health, and translation by the survey team.

<sup>48</sup> Translation by the survey team.



Table 5-11 shows the competency units of Perisai.

**Table 5-11: Competency units of Agen Perisai**

Original text (Indonesian)	Translation into English <sup>49</sup>
Menbuat Documen	Document creation
Mengelola Arsip	Archive management
Mensosialisasikan Program Jaminan Social Ketenagamerjaan	Socialization on employment insurance program
Memnsosialisasikan Hubungan Industrial	Socialization on industrial relations
Memproses Data Potensi	Processing of potential data
Menerima Pendaftaran Peserta	Acceptance of participants' registration
Memproses Pembayaran Iuran Peserta Baru	Processing of participants' premium payment
Memproses Tand Bukti Mepesertaan	Processing of membership information and evidence
Memoerluas Jaringan Kemitraan	Expansion of partnerr network

Source: Lembaga Sertifikasi Profesi (LSP)

The competency units of the schemes other than Perisai are descried in Table 5-12 below. The “IT Administrator” consists mostly of the competencies linked specifically to the concerned technical field. Other schemes contain competencies which have potential links with the work of social security experts.

**Table 5-12: Certification schemes and competency units by BPJS Employment (other than perisai)**

Scheme	Competency <sup>50</sup>
Marketing Officer	<ul style="list-style-type: none"> <li>• Create document</li> <li>• Manage archives</li> <li>• Promote social security program of labor</li> <li>• Promote industrial relations</li> <li>• Process potential data</li> <li>• Receive registration of participants</li> <li>• Receive participants' payment</li> <li>• Process membership evidence</li> <li>• Network partnership</li> </ul>
Customer Service Officer	<ul style="list-style-type: none"> <li>• Create document</li> <li>• Manage archives</li> <li>• Promote social security program of labor</li> <li>• Respond to complaints through counter complaints channels</li> <li>• Accept submission of membership administration documents</li> <li>• Process submission of first-stage accident report</li> <li>• Process submission of second-stage accident report</li> <li>• Receive a claim file on death insurance</li> <li>• Receive a claim file on old-age insurance</li> <li>• Receive a claim file on pension</li> <li>• Receive confirmation of pension recipients</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• Create document</li> <li>• Manage archives</li> <li>• Promote social security program of labor</li> <li>• Collect materials for the preparation of work plans and annual budgets</li> <li>• Create proof of membership payment</li> </ul>

<sup>49</sup> Translation by the survey team.

<sup>50</sup> Translation by the survey team.

Scheme	Competency <sup>50</sup>
	<ul style="list-style-type: none"> <li>• Record other acceptance records</li> <li>• Divide funds into program accounts</li> <li>• Make payment on insurances (old-age, workers' accident, death and pension)</li> <li>• Carry out payment of operating expenses and capital expenditures</li> <li>• Prepare financial statements</li> <li>• Prepare tax reports</li> </ul>
IT Administration	<ul style="list-style-type: none"> <li>• Create document</li> <li>• Manage archives</li> <li>• Promote social security program of labor</li> <li>• Determine scope of service (maintenance)</li> <li>• Perform application software installation</li> <li>• Meet needs of information technology tools</li> <li>• Restore files on deleted hard disk / lost data</li> <li>• Clean up viruses affecting computer</li> <li>• Clean network virus</li> <li>• Protect computer from attacks of various types of viruses</li> <li>• Replace damage on information technology tools</li> <li>• Create local network design</li> <li>• Administer network system</li> <li>• Manage network devices</li> <li>• Administer asset management</li> </ul>
HR Administration	<ul style="list-style-type: none"> <li>• Create document</li> <li>• Manage archives</li> <li>• Promote social security program of labor</li> <li>• Summarize employee needs data</li> <li>• Administer employee development data</li> <li>• Administer employee performance lapses</li> <li>• Process employee welfare and benefits</li> <li>• Update employee data administration</li> <li>• Administer employee penalties and employee sanctions</li> <li>• Promote industrial relations</li> </ul>

Source: Lembaga Sertifikasi Profesi (LSP)

## 5.7 Training

### 5.7.1 Outline

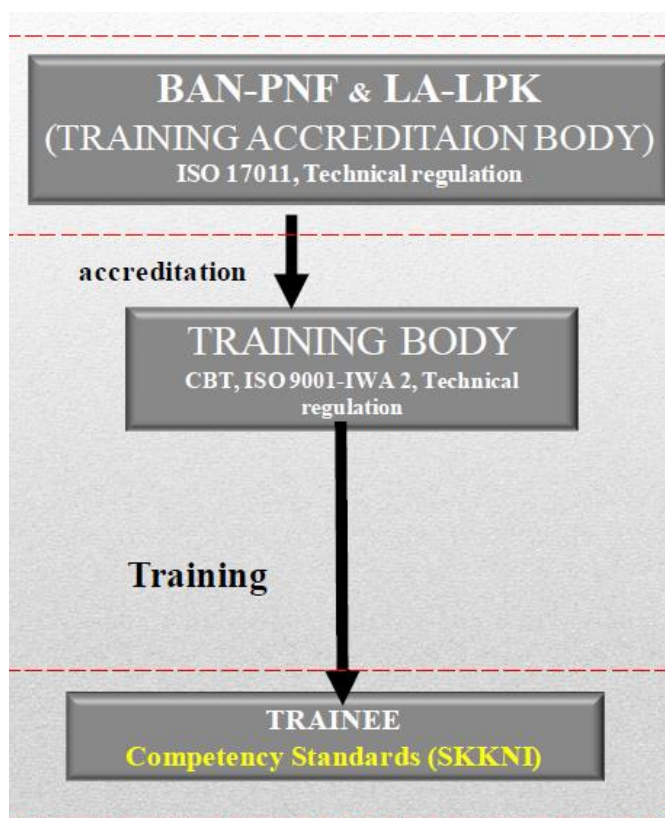
Figure 5-6 shows the general accreditation process for training institutions in Indonesia. .

#### Notes:

BAN-PNF: Badan Akreditasi Nasional - Pendidikan Nonformal Fakultas (National Accreditation Agency for Non-formal Education)

LA-LPK: Lembaga Akreditasi - Lembaga Pelatihan Kerja (Accreditation Body - Skill Training Institute)

BNSP: Badan Nasional Sertifikasi Profesi (National Professional Certification Board)



Source: National Certification System for Competency and Qualification - Skills for Employability

**Figure 5-6: Accreditation process of training institutions**

The accreditation procedure for training institutions is similar to that of LSP/PCI. The training is designed in such a way as to acquire competencies to obtain certification concerned. Thus, in the process of formulating the contents of the training, reference is made either to the international, national or special standards explained above. KKNI/INQF levels are also considered.

The venue of the training may be the workplace of the trainees or a training institution. The training may be in the form of apprenticeship. Training institutions include the following. There are cases where an authority in charge of the technical field concerned (through its affiliated institutions such as marine or aviation colleges) or a private entity conducts training<sup>51</sup>.

<sup>51</sup> ASEAN Japan Technical Meeting on Competency Standards FY 2015 - Country Report Indonesia

- Training centers (Balai Latihan Kerja: BLK) – under the Ministry of Manpower
- Community colleges – under the Ministry of Education and Culture
- Non-degree programs in higher education institutions under the Ministry of under Ministry of Research, Technology and Higher Education
- Private training centers
- Competency training centers (Lembaga Pelatihan Kerja: LPK) - registered and accredited by the Ministry of Manpower
- National apprenticeship programs – under the Ministry of Manpower
- Courses and Training Institute (Lembaga Kursus dan Pelatihan: LKP) and Community Learning Activity Center (Program Kegiatan Belajar Masyarakat: PKBM) - registered and accredited by the Ministry of Education and Culture

### **5.7.2 Training Centers of BPJS Health and BPJS Employment**

Both BPJS have the respective training centers in Bogor, with the accommodation facilities attached. Training is provided for internal staff.

According to the field survey, a special procedure is considered for these centers, if they are to add a new content of training. This addition is possible by the decision of the directors. Normally, this type of addition may be applied and accredited through the designated authority (BAN-PNF / LA-LPK).

## Chapter 6 BPJS Health (Special Focus on Kader-JKN)

### 6.1 Present Situation of Kader-JKN

Introduction of Kader-JKN began as an expert who specializes in applying and collection as a countermeasure since the collection rate of insurance premiums for informal sector workers in 2015 was extremely low. The informal sector proceeded with measures such as (1) income is irregular, (2) knowledge of the social insurance system is not enough, and (3) there is a problem with payment method. At that time, through the activities of JICA, cases of Japanese social insurance labor system were also introduced, and in 2016 pilot activities will be carried out.

**Table 6-1: Target and Achievement**

	Employees in private sector (Waged worker)	The Poor	Employees in informal sector	Total
Plan	97.0%	97.5%	75.9%	96.57%
Actual	90.9%	83.8%	43.6%	89.0%
Achievement Rate	94%	86%	<u>57%</u>	92%

Source: BPJS Health material

Kader-JKN aims to perform some functions of BPJS health on behalf of BPJS Health, publicize the health insurance system and collect insurance premiums. Uniforms, pins and scarves are provided to Kader-JKN by BPJS Health, which is devised to recognize Kader-JKN as the first look.

When doing a door-to-door visit, Kader-JKN is to receive IDR 2,500 (up to 3 times per family), if collection of premium is successful, IDR 5,000 will be paid per case.

### 6.2 Trained Kader-JKN and Their Background

BPJS Health sets the following as the main requirement for becoming Kader-JKN.

- (1) To be local residents, and to be related to social and religious organizations
- (2) Obtained at least a high school diploma
- (3) Own an Android smartphone
- (4) Participate in home visits and dissemination activities (sign a pledge)
- (5) Being a JKN subscriber
- (6) Being healthy
- (7) High communication skills

Selection process is as follows.

- (1) Contact with local municipalities → (2) recommendation from local municipality → (3) submit application documents → (4) document selection → (5) interview → (6) result notice → (7) as Kader-JKN Registration → (8) appointment of senior Kader-JPN → (9) preparation of activity plan → (10) start of activity

Upon selection, the nation territory was divided into 13 regions, and the number of people at each recruitment was determined and recruited. As a result of recruitment, there were in total 4,339 applicants for recruitment of 2,001. Of these 1,910 applicants passed, and eventually 1,753 people were on the scene when Kader-JKN was launched. 75 people declined, and 82 people were judged to be under qualified. As of 6 October 2017<sup>52</sup>, 1,689 of Kader-JKN are active, but there is a declining trend in the number of Kader-JKN.

Prior to the start of the activity, trainings were conducted at the BPJS Health Branch or the BPJS Health Training Center in order to acquire the minimum necessary qualities to act as Kader-JKN. The contents of the training are shown in the table below.

**Table 6-2: Contents of Training Program for newly recruited Kader-JKN**

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"><li>1. Concept of JKN-KIS</li><li>2. Business and function of Kader-JKN</li><li>3. Site Activity</li><li>4. Knowledge of institution</li><li>5. Improvement of ability to collect marketing and premiums</li><li>6. Cooperative relationship of Kader-JKN with BPJS health</li><li>7. BPJS health subscriber and business domain profile information</li><li>8. Activity simulation of Kader-JKN</li><li>9. How to fill out Kader-JKN's report</li><li>10. Kader-JKN's motivation for business execution</li></ol> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: BPJS Health Material

### **6.3 Objectives of Kader-JKN**

The goal of raising Kader-JKN is set at 2,000 for the time being. In addition, households which have not paid health insurance premiums for two (2) months or more will be targeted by these 2,000 Kader-JKN as their focused activities.

Kader-JIN is responsible for 500 households or 1,500 people per person and carries out his/her own activities by obtaining information on delinquent households or delinquents from BPJS Health.

Compared to BPJS Employment aiming to raise to 10,000 of trained Perisais in 2018, it is a very small number to cover Indonesia nationwide.

### **6.4 Good Practice and Challenges**

#### **Challenges**

- Those who become Kader-JKN have limited experience in the social insurance field, so knowledge of social insurance is limited when the pre-training is over. Therefore, there is a problem when it is not possible to answer the question from the target or when they provide wrong information.

<sup>52</sup><https://bpjs-kesehatan.go.id/bpjs/index.php/post/read/2017/557/Kader-JKN-sebagai-Penggerak-Partisipasi-Masyarakat-dalam-Mensukseskan-Program-JKN-KIS> (Accessed on 22 December 2017)

- There are much unclear information such as the income level (households/individuals) and the timing of income in the informal sector.
- There are many problems in terms of service delivery such as accessibility to medical institutions and doctor quality. Even after entering medical insurance due to injury or illness, there are many subscribers who stop paying insurance premiums. On the other hand, there are many cases (so-called adverse selection) in which insurance premiums are paid after becoming sick, and for this reason it is necessary to inform the concept of insurance to such people. Also, the conditions for re-enrolling are not designed to avoid adverse selection, such as being able to join if paying unpaid premium for the past 12 months (there is a possibility for operational problems).
- Participation in medical insurance system is not relevant as it is provided free of charge for medical expenses and drug costs.
- Because the budget allocation to primary medical institutions is by computation method, there is a regional imbalance in medical equipment / medicine.

#### Good case

- Local governments encourage Kader-JKN to participate in resident meetings and various events, promoting socialization activities. It also leads to the opportunity to remember the face of Kader-JKN, so Kader-JKN can see that a good effect results<sup>53</sup>.
- Since information sharing system with the Ministry of Home Affairs and local governments is in place, effective improvement of information accuracy and the social and economic situation of the residents are forwarded to Kader-JKN in advance, etc. It is effective for promotion activities and collection activities.
- The provision of health insurance to the poor can make use of their know-how from what local governments have done so far.

#### **6.5 Others**

BPJS Health has recognised the following 10 items as risks when introducing Kader-JKN. The items are considered when Kader-JKN was introduced, but most of them are not applicable at present after a year of implementation.

- (1) The appearance of fake Kader-JKN
- (2) The appearance of Kader-JKN acting for his own interest
- (3) The appearance of Kader-JKN acting for the benefit of others
- (4) BPJS Health Litigation (Kader-JKN)
- (5) Subscriber's lawsuit against Kader-JKN
- (6) Kader-JKN's abuse of authority
- (7) Negligence of duties by Kader-JKN
- (8) Negative news on Kader-JKN

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<sup>53</sup> There was an event in September 2017 that municipality and shopping mall jointly conduct promotion activity in health insurance system, and Kader-JKN also joint the event.

(9) Retiring Kader-JKN

(10) Inadequacy concerning the data of the managed subscribers of Kader-JKN

BPJS Health considers (10) items as an important challenge. This is due to the fact that the data applied from the BPJS Health Branch office does not match the actual situation. Information of the poor is provided from local welfare offices, but the information of informal sector is not provided. For this reason, the information of informal sector by BPJS Health is limited, and when Kader-JKN uses that information, various problems are caused.



## Chapter 7 BPJS Employment (Special Focus on Perisai and Kantor Perisai)

### 7.1 Present Situation of Perisai and Kantor Perisai

At the timing of Perisai's nationwide implementation, BPJS Employment changed the name of the organizations that had been called Perisai to Kantor Perisai, and from Agen Perisai to Perisai.. The agent who will apply the application and collect insurance premium will be called Perisai, the organization, to which Perisai belongs to, will be Kantor Perisai.

Utilizing the experience of Perisai's pilot sites which had been carried out in Jember and Jogjakarta until June 2017, BPJS Employment has continued training and have been training Perisai.

Since November 2017, BPJS Employment has continued to train Perisai, and as of 24 January 2018, 1,027 Perisai are active. These Perisai have acquired 40,809 new insured persons as of 24 January 2018, and the amount of insurance premium collected is IDR 1.8 billion.

As a general rule, Perisai must belong to one of Kantor Perisai, and 7.5% of the insurance premiums collected are paid as incentives and allocated at a predetermined rate based on the contract between Kantor Perisai. This means that incentives remaining in Perisai's hands will be less than 7.5% of total amount of premium collected.

### 7.2 Trained Perisai and Their Background

As mentioned in section 7.1, after Perisai's activities were spread nationwide, more than 1,047 people Perisai were trained in about two months. Most Perisai have other jobs. BPJS Employment plans to raise 10,000 Perisai within the next one year and gradually increase its activities.

### 7.3 Objectives of Perisai and Kantor Perisai

The long-term objectives of Perisai after nationwide implementation are set as follows.

- Enhancement for expansion of subscriber's application
- Expansion of Perisai activities in place where Branch offices of BPIS Employment locate
- Promotion of subscription of informal sector workers

In response to this, BPJS Employment will establish various systems to treat Perisai as national qualifications and prepare it to be the sole national qualification for social insurance sector in Indonesia. While promoting these activities, it aims to improve the status of BPJS.

On the other hand, the following short-term objectives are planned.

**Table 7-1: Short-term objectives and activities of Perisai**

Goal 1: Penetration and Education
Activity 1-1 Promotion and educational activities to be implemented independently
Activity 1-2 Send information on social security programs and benefits
Activity 1 - 3 Provide consulting services in the field of social security
Goal 2: Subscription promotion activities and subscriber management
Activity 2-1 Mapping prospective participants and reporting data to branch offices
Activity 2-2 Utilize data provided by branches

Activity 2-3 Managing Subscriber Data  Goal 3: Subscriber data update Activity 3-1 Update existing subscriber data as appropriate Activity 3-2 Register the insured person in the subscription obligation information Activity 3-3 Register Subscribers Corresponding to Conditions  Goal 4: Monitoring / Activity Report Activity 4-1 To manage Perisai activities and Perisai customer acquisition results Activity 4-2 Report the activity result and performance to the branch without delay
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Source: BPJS Employment Material

#### 7.4 Situation of Pilot Sites

Perisai's pilot activities have been carried out nationwide, but no information has been officially announced so far. However, in the process of this survey the following materials were obtained from BPJS Employment.

According to this data, it is understood that the pilot projects have been implemented throughout Indonesia. However, only the data of Jember and Yogyakarta can be used as the achievements of the pilot activities, as analysis is being conducted, and it is appropriate to treat Perisai's activities at the site listed below as reference information.

In addition, because there are some locations that are not doing activities, the survey team analyzed two (2) sites that can utilize the most data.

**Table7-2: Outputs of Pilot Sites (Nationwide)**

NO	KANWIL	KANTOR CABANG	JUMLAH		AKUISISI TK		IURAN	
			KTR PERISAI	PERISAI	PU	BPU	PU	BPU
1	SUMBAGUT	MEDAN KOTA	4	4	95	3,004	-	50,467,200
		MEDAN BELAWAN	2	3	-	-	-	-
		BINJAI	3	3	-	-	-	-
2	DKI JAKARTA	GROGOL	3	4	-	-	-	-
		RAWAMANGUN	4	4	-	-	-	-
3	JAWA BARAT	BANDUNG SUCI	2	4	-	-	-	-
4	BANTEN	SERANG	3	4	127	721	3,808,476	21,834,400
5	JATENG DIY	YOGYAKARTA	3	6	115	3,642	11,539,059	127,680,800
6	JATIM	JEMBER	4	12	843	900	8,453,778	21,888,000
7	BANUSPA	BALI	3	7	226	448	43,659,833	20,582,400
		NUSA TENGGARA BARAT	2	4	3	24	321,000	403,200
		NUSA TENGGARA TIMUR	2	4	-	34	-	571,200
8	SULAMA	MANADO	2	4	-	-	-	-
		MAKASSAR	2	4	-	-	-	-
<b>TOTAL</b>			<b>39</b>	<b>67</b>	<b>1,409</b>	<b>8,773</b>	<b>67,782,146</b>	<b>243,427,200</b>

Source: BPJS Employment material

Tables 7-3 and 7-4 show the results of Jember and YogJakarta which are judged to be referred to by BPJS Employment. What was found from Yogyakarta's achievement is that there are few cases of subscribers with

premium payment Even though the application of the formal sector has been properly promoted by BPJS Employment. On the other hand, in the informal sector, because participation promotion activities have not been carried out much, it is understood that many subscribers actually participate and pay insurance premiums. According to the information on persons in charge of Perisai, Jogjakarta's payment rate is 90.4%, and once they have subscribed, they are expected to pay insurance premiums continuously.

**Table 7-3: Achievement at Pilot Site (Yogyakarta) from October 2016 till April 2017**

NO	NAMA SENTRA PERISAI	WILAYAH KERJA	AKUISISI TK PU		AKUISISI TK BPU	IURAN BPU				KOLEKTIBILITAS IURAN
			PENAMBAHAN	IURAN	PENAMBAHAN	JHT	JKK	JKM	JUMLAH	
1	KUD Tempel	D.I Yogyakarta	53	2,706,228	577	1,832,000	6,712,000	4,420,000	12,964,000	52%
	KUD Tempel	D.I Yogyakarta								
2	CV. Bakoel Corporation	D.I Yogyakarta	0	0	2,769	22,207,000	53,232,000	33,705,000	109,144,000	
	CV. Bakoel Corporation	D.I Yogyakarta								
3	LPA Mekar Jala Arga	D.I Yogyakarta	62	8,832,831	296	600,000	2,960,000	2,012,800	5,572,800	
	LPA Mekar Jala Arga	D.I Yogyakarta								
<b>JUMLAH</b>			<b>115</b>	<b>11,539,059</b>	<b>3,642</b>	<b>24,639,000</b>	<b>62,904,000</b>	<b>40,137,800</b>	<b>127,680,800</b>	

Source: BPJS Employment material

For Jember, the number of insured persons in the formal sector is a large percentage, but the amount of premium collected is small. The number of subscribers in the informal sector is the same trend as Yogyakarta. It can be said that promotion activities have not been carried out so far. Likewise, Jember's payment rate is 87.1%, and they expect to continue payment of premium. The difference in premium collection rate below is because the payment rate is until June 2017.

**Table 7-4: Achievement at Pilot Site (Jember) from October 2016 till April 2017**

NO	NAMA SENTRA PERISAI	WILAYAH KERJA	AKUISISI TK PU		AKUISISI TK BPU	IURAN BPU				KOLEKTIBILITAS IURAN
			PENAMBAHAN	IURAN	PENAMBAHAN	JHT	JKK	JKM	JUMLAH	
1	LKS MATA HATI	Jember	843	8,453,778	379	2,952,000	3,866,000	2,577,200	9,395,200	41%
2	KOPERASI GALUR MURNI	Jember			112	900,000	1,180,000	761,600	2,841,600	
3	KUB TIMOER MANDIRI	Jember			143	260,000	1,430,000	972,400	2,662,400	
4	SBMI JEMBER	Jember			266	2,500,000	2,680,000	1,808,800	6,988,800	
<b>JUMLAH</b>			<b>843</b>	<b>8,453,778</b>	<b>900</b>	<b>6,612,000</b>	<b>9,156,000</b>	<b>6,120,000</b>	<b>21,888,000</b>	

Source: BPJS Employment material

Table 7-5 below shows the number of new subscribers in each month during pilot activity. This table shows that the number of Jember subscribers is gradually increasing during the second half of the pilot. Although the reasons can not be clarified from this table, there is a possibility that Perisai's participation promotion activities have gradually spread.

**Table 7-5: Achievement of the number of newly insured during pilot project**

Newly Insured	2016			2017					
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MEI	JUNI
Jamber	20	118	87	102	70	107	195	184	206
Jogjakarta	126	500	1869	404	239	396	223	195	203

Source: BPJS Employment material

### 7.5 Good and Bad Practice

There are only two actual sites available for the reference through pilot activities, the following lessons learnt are from those two sites.

From the interview survey from persons in charge of headquarters of BPJS Employment, the following cases were explained.

#### Good case

- From the case of the pilot site, Perisai (using IT devices) has acquired more customers. Since Perisai is required to visit and to encourage subscription, if there are many applicants wanting to visit one place, processing can not catch up without utilizing IT devices.

#### Bad examples

- Perisai's initial incentive was 2.5% of the collected amount. Considering the cost of collecting this was not enough<sup>54</sup>. In Yogyakarta, IDR 139 million was collected on average, only IDR 580,000 was paid as an incentive to Perisai. Likewise, IDR 32 million was collected on average in Jamber, and only IDR 100,000 was paid as an incentive to Perisai.
- Many Perisai activities are done manually, so working efficiency cannot be seen.

### 7.6 Others

Challenges found through the research are as follows.

- There are already 1,027 Perisai (as of January 24, 2018) trained, but the collected amount is IDR 1.8 billion. This is the result of the past two month activity, and it is 7.5% incentive (incentive per person = ID 1.8 billion / 1027 people x 0.075) and IDR 86,000. Monthly incentive per Perisai is IDR 43,000, which is extremely low amount as an incentive. Considering that the incentive of private insurance company's sales person is 20% - 30%<sup>55</sup>.

<sup>54</sup> Perisais utilized their own motorbikes and they need IDR12,000 per visit in case the household is far.

<sup>55</sup> Majority of Perisai has other jobs and they have some income from such jobs. Some of the Perisai are the ex official of BPJS and they have familiar with the operations of BPJS. According to the interview, only 40% of perisai is functioning due to the amount of incentives, therefore, BPJS Employment will be required to increase the incentive.

- Perisai requires having a bank account which will be used for withdrawing when collecting insurance premium from the subscribers. Currently, only CIMB banks can make a contract with Perisai. This bank is centered on corporate services, and retail services are limited. In addition, the network of the Bank is limited to near Jakarta, and the actual Perisai activities are only around Jakarta, but it should be extended to other areas. For those who are willing to become Perisai in rural areas, this application hurdles are still high. Therefore it is desirable to have a business alliance with other banks with nashowide network such as Mandiri Bank and BNI Bank, etc.
- Treatment of those who are not actively working should be defined as soon as possible.
- According to BPJS Employment, necessary information for Perisai activities is provided by marketing officers of Branch Offices of BPJS Employment. In that case, the role of Kantor Perisai to which Perisai belongs becomes irrelevant. Incentives are paid if Perisai acquires customers, but a fixed percentage of them need to pay to Kantor Perisai. It is necessary to clarify the obligations and roles of Kantor Perisai which does not act practically and to improve the efficiency of the system surrounding Perisai.

## Chapter 8 Points to be considered when establishing National Qualification of Social Security Expert

### 8.1 Operations and Obligations that Social Security Experts should Bear, Disqualifications and Disciplinary Reasons, Mechanisms of Fraud Prevention

At present, both BPJS Health and BPJS Employment have acquired LSP P-2. This is a qualification that can be used within the network of the organization, not qualifications recognized by the Public.

Although operations and obligations are clearly stipulated as work to be done at the time of establishment of Kader-JKN and Perisai, they are related to so-called insurance premium collection and promotion of insurance products. There are measures to prevent illegality using ICT, such as mechanisms of fraud prevention, disqualifications, disciplinary reasons, etc. However, in case of fraud, the only provision set up is deprivation of internal certificate as Kader-JKN and Perisai.

When aiming for future national qualification, it is important to clarify the work contents (things that can be done). In addition, it will be necessary to show the content of disciplinary action (such as suspension of work, suspension of certificate, deprivation of certificate ) and the establishment of common criteria from the impact on society, respectively, in the case of misconduct.

In the case of Japan, Miyagi Prefecture Social Insurance Attorney Association is a concrete example. Although the details of the work posted on the website of the Miyagi Prefectural Social Insurance Attorney Association are not detailed contents, there are many points to be taken into consideration in terms of showing the things that social insurance attorney can do. In addition, it can be referred to from the viewpoint of informing to the public widely, such as describing the ethical standard as shown below.

Daftar Lembaga Sertifikasi Profesi				
Per halaman <span>Pilih</span>				
	NO Lisensi	Nama LSP	Jenis LSP	Alamat
<input type="checkbox"/>	BNSP-LSP-861-ID	BPJS KESEHATAN	P3	
<input type="checkbox"/>	BNSP-LSP-930-ID	BPJS KETENAGAKERJAAN	P2	

**Figure 8-1 Information on LSP for both BPJS**  
**Source: [www.bnsp.go.id](http://www.bnsp.go.id) (Accessed on 31 January 2018)** <sup>56</sup>

<sup>56</sup> P3 of BPJS Health is wrong information, it is P2. This is confirmed with BNSP.

**Table 8-1: Business contents indicated by Miyagi Prefecture Social Insurance Attorney Association**

<ol style="list-style-type: none"><li>1. In accordance with various laws and regulations concerning labor and social insurance, it is necessary for applicants to submit application, notification form, report, examination request, opposition letter, reexamination request form and other documents to submit to administrative organizations Create it.</li><li>2. We will perform the procedure for submitting the above application documents etc. to the administrative agency on behalf of the client. (Submit Agency)</li><li>3. We will conduct explanations and claims on the above application documents, etc, or surveys and dispositions of administrative organs as proxy of client. (Administrative Agent)</li><li>4. In addition to the above documents, we prepare books and documents etc, which are obliged to be installed at our business offices. We will provide consultation and guidance concerning various issues concerning personnel and labor at business establishments, laws on labor social insurance.</li><li>5. For business establishments, we will provide appropriate advice on benefits and subsidies such as labor social insurance relationships that are beneficial to management.</li></ol>
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Source: <http://www.sharo-miyagi.com/public/about/work.html> (Accessed on 28 January 2018)

In addition, by preparing and showing ethical provisions from the viewpoint of business accuracy, fairness and misconduct prevention, and by widely publicizing the qualities possessed by qualification holders to the public, it is possible for smooth social insurance administration. In Japan, the social insurance attorney association of each prefecture has established ethical standard, the following provisions are published by the Miyagi prefecture social insurance attorney association.

**Table 8-2: Example of Ethical Standards by Miyagi Prefecture Social Insurance Attorney Association**

<p>(Purpose) Article 1 The purpose of this rule is to determine necessary matters for members to comply with the Code of Ethics for Social Insurance Labor Ethics (hereinafter referred to as "Code of Ethics"). (Compliance with the Constitution) Article 2 Members shall faithfully comply with the constitution and rules, regulations and resolutions, etc. of the Society and the National Association of Social Insurance Labor Conference and related laws and regulations. 2 Members shall also recognize that there are occupational ethics that should be observed by themselves on behalf of the Code of Ethics for matters not prescribed in these Regulations, and act on the common sense as a member. (Obligation to cooperate with the organization) Article 3 If members are requested for cooperation on business from the Society or branch or association, unless there is a particularly legitimate reason, the member shall respond to it. (Posting of office name) Article 4 Employment Social Insurance Labor Officer shall post the name of social insurance labor on that office. (2) The social insurance labor business corporation shall post the name of the corporation. Article 5 Members shall carry social insurance labor certificates and membership cards when carrying out social insurance labor service operations. 2 Members shall endeavor to wear membership emblems when conducting social insurance labor service. To (Advertisement, publicity, etc.) Article 6 Members shall not conduct advertisements, publicity, etc. that are suspected to be good sense, such as falsehood, hype and others. (Discipline between members) Article 7 Members shall respect faithfulness, and not abuse other members, or hurt honor. (Business consignment) Article 8 In order to retain the trust relationship with the client, the member must carefully consider such that there will be no dispute, such as exchanging a contract that clearly sets compensation etc. .</p>
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(Responsibility for operations)  
Article 9 Members shall carry out their assigned business responsibly. 2 Members shall act on the basis of conscience as labor social insurance related business and labor management experts.  
(Focus of the work)  
ARTICLE 10 Members must always work as experts in labor social insurance related work and labor management.  
(Alliance with mediation contractor and prohibition of nominal loan)  
Article 11 Members shall not receive business affairs from persons engaged in providing business, or similar persons. Also, do not use these persons, or let them use their own name.  
(Supervision of staff)  
Article 12 Members shall manage and supervise staff as good managers.

Source: <http://www.sharo-miyagi.com/public/about/work.html> (Accessed on 28 January 2018)

## 8.2 Training Curriculum and Contents to be included in the Examination

If both BPJS are planning to integrate Kader-JKN and Presai into one national qualification in the future, sharing knowledge of the basic social insurance system at present stage is important. From a subscriber's point of view, it is hard to understand that health insurance and labor insurance operate separately by different implementing agencies.

The contents that should be included as basic knowledge of social insurance system are as follows.

**Table 8-3: Basic Knowledge regarding Social Insurance System**

1. Social Security and Social Insurance
2. Government and executing agency, their respective roles
3. Health insurance
4. Labor insurance (labor accident insurance, death benefit, pension insurance, old age benefit)
5. Kader-JKN and Perisai
6. Occupational ethics
7. Fraud handling
8. Other

Source: Survey Team

## 8.3 Management Organizations for the Examination (Including Those Organizations when Conducting Educational Training)

Training institutions of both BPJS have been accredited as LSP P-2. In order to such institutional qualification, the contents of the training, the period and the contents of the examination have been evaluated by BNSP, a supervising body. But BNSP has simply examined the contents when such contents are appropriate for the qualification or not based on their regulation. In other words, BNSP does not mean to evaluate details of the qualification certified by the institution accredited by LSP P-2. Therefore, BNSP re-certifies the qualification as LSP P-2 almost every 3 years and checks whether there is any discrepancy with the actual situation.

Regarding Lawyers' Qualification, the Lawyers Association accredited as LSP P-3, will conduct an examination and those who have passed the examination, they are qualified. But this is a qualification certified by the Lawyers' Association. In addition, in order to take the lawyer examination, it is necessary to graduate



from law school of a university<sup>57</sup>.

In the lawyer exam, about 70% of the candidates pass the exam, so there are many problems from the viewpoint of quality. Specifically, even when asking a person with legal qualifications to hold a trial, there are many cases that appropriate processing is not done.

It is not easy for both BPJS to acquire the qualification of LSP P-3 and to carry out the examination. It is also not easy to establish a social insurance affiliated organization similar to the national bank association under the supervision of Ministry of Manpower, and Ministry of Health. In such case, it is ideal to carry it out while, as in Japan, those who have sufficient experience in social insurance system in related public institutions can take things into consideration such as establishing exemption provisions for some examination subjects.

#### 8.4 Method of Conducting the Examination, Handling of Examination Fee for Social Security Expert Examination, Number of Persons Needed

It is desirable to conduct the test once a year to ensure sufficient quality and quantity of the qualification. In 2018, both BPJS plans to train 2,000 people for Kader-JKN and 10,000 people for Perisai, but some measures are needed for national qualification in the future. Since it is inefficient to conduct management of qualified holders that will be tens of thousands in the future by social insurance executing agencies or the ministry, an institution that manages the qualification system could be established for better operation.

The test itself shall be handled by the competent authority such as the Ministry of Manpower and the Ministry of Health, and newly created institution will conduct the examination after confirming that there is no inconsistency with the related laws.

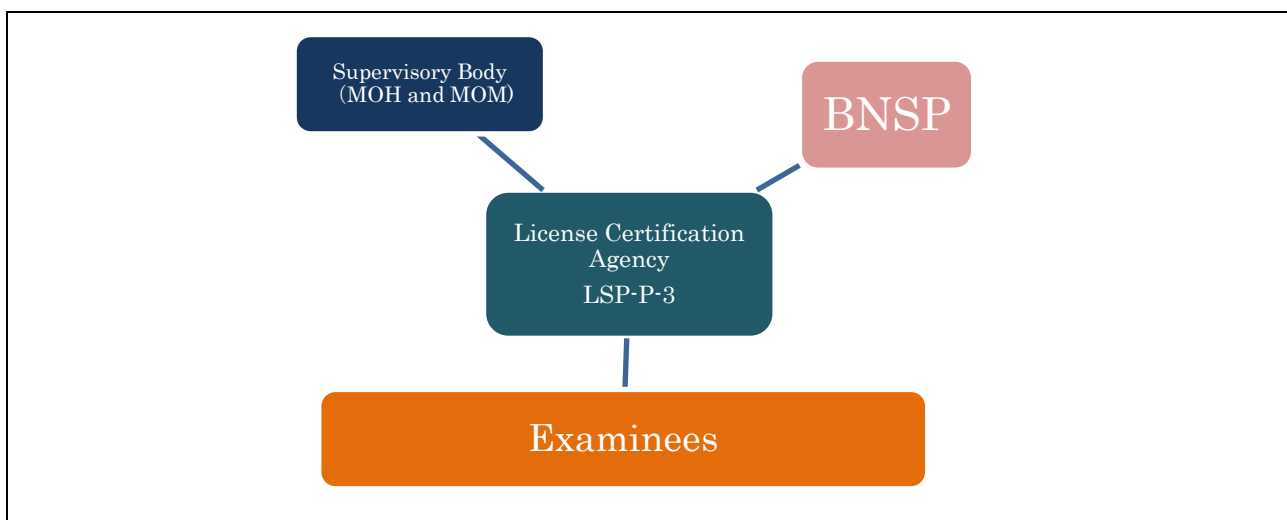


Figure 8-2: Image of operation of examination

Source: Survey Team

<sup>57</sup> Indonesian Layer's qualification is different from it is in Japan. Even if a person passes layers' examination, they cannot become Judge or Prosecutor.

## **8.5 Duties and Obligations that the Social Security Expert Office should Bear, the Required Number and the Number of Installations**

Regarding Kader-JKN, there is no organization corresponding to Kantor Perisai, but they are directly supervised by Branch Offices of BPJS Health.

With regard to Kantor Perisai of BPJS Employment, which is assuming Japan's administrative union model (Jimukumiai Model), it aims to extend the coverage of informal sector workers and their family by utilizing Chambers of Commerce and industry, professional association cooperatives, etc. For this reason, all the perisai must belong to one of the Kantor Perisai. However, perisais' operation is directly supervised by Branch Offices of BPJS Employment. Originally, instructions and information should be directed to individual Perisai via Kantor Perisai, but in the current situation it is not likely.

Although BPJS Employment should reconsider the content of affairs under Kantor Perisai, the tasks and obligations to be clarified are as follows.

**Table 8-4: Work Contents and Responsibilities of Kantor Perisai to be clarified**

1. Legal position of Kantor Perisai
2. Relationship with Kantor Perisai's BPJS Employment
3. Role and responsibility of Kantor Perisai
4. Contractual relationship with Perisai
5. Number of enterprises in charge and number of insured persons (Set maximum limit?)
5. Maximum fee (Perisai)
6. Termination of contract
7. Code of ethics and fraud
8. Other

Source: Survey Team

Regarding the required number of perisai and the number of kantor perisai, since it is not appropriate to fix the number of unsubscribed persons to be responsible for an area where they work, first identify the associations or institutions relating to small, micro companies or groups, then define the estimated necessary number of perisai and kantor perisai.

## **8.6 Contents of New Incentives for Assisting Premium Collection**

With regard to Kader-JKN, IDR 5,000 will be paid in case the subscriber pays his/her premium, and IDR 2,500 (up to 3 times) is paid per visit. Although this incentive is set based on the government subsidy to the poor amounting about IDR 12,000 per month, it is not an attractive amount to support Kader-JKN as their main job. As many of Kader-JKN work in welfare offices, there is no report of major complaints because Kader-JKN earn a substantial level of income.

Regarding Perisai, 7.5% of the total amount of premiums collected is to be paid, but since it includes a fee to belonging Kantor Perisai, as a result, actual incentive will be less than that amount. The average per capita income at YogJakarta where the pilot project of Perisai was carried out has regional differences, but the average

income amount ranges from IDR 1,337,00 to 1,500,000 per month. Perisai's per-capita incentives are less than this income; therefore, increasing incentives must also be considered as necessary policy action. As mentioned earlier, private insurance incentives are 20%-30%.

**Table 8-5: Average income in Yogyakarta**

Region	Kota	Sleman	Bantul	Kulon Progo	Gunung Kidul
Amount (IDR)	1,572,200	1,448,385	1,404,760	1,373,600	1,337,650

Source: BPJS Material

Both Kader-JKN and Perisai tend to set fees and incentives so as not to give a financial impact on the balance of income and expenditure. As a result, transportation expenses for activities are also not paid. For this reason, even if the subscriber pays insurance premiums, up to the IDR 7,500 is paid as incentives, which may be a defect to Kader-JKN. Both Kader-JKN and Perisai will pay further incentives from both BPJS as they are based on the concept of "paying fees and incentives when collection of insurance premium from people is made" This possibility is difficult one.

Kader-JKN and Perisai are tasks requiring knowledge, application and collection of premiums, and not only informal sector workers but also small and micro enterprises should be included. In the case of application of these corporate managers and employees and collection of insurance premiums successfully, since the company should do application on behalf of paying insurance premiums on behalf of the company, collecting the substitution fee from the company It is worth considering.

On the other hand, since it is difficult to raise the premium rate based on the characteristics of public social insurance, appropriate clarification by related institutions should be made, so that the balance between benefits and insurance premiums is guaranteed. At the same timing, incentives of Kader-JKN and Perisai should be verified appropriately.

### **8.7 Competency Standards**

Competency is generally defined as " the capacity of an individual that leads to the organization's productive environment and the action to compensate for meeting job requirements, or to bring strongly requested results" (Boyatz, 1982) .

The survey team obtained competency standards from related organization such as BPJS Employment, and other government agencies with LSPs, and verified the contents. The qualifications within the organization were set for each type of job at each institution, and the team found that such competencies were so-called TOR (Terms of Reference) (see Table 8-6).

**Table 8-6 Sample of Competency by BPJS Employment (Marketing Officer)**

<ul style="list-style-type: none"> <li>• Create document</li> <li>• Manage archives</li> <li>• Promote social security program of labor</li> <li>• Promote industrial relations</li> <li>• Process potential data</li> </ul>
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- |                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Receive registration of participants</li><li>• Receive participants' payment</li><li>• Process membership evidence</li><li>• Network partnership</li></ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: BPJS Employment material

Since LSP P-2 is a qualification within the organization or in the network, the contents of the competency are rarely picked up but in the case of certifying the national qualification as LSP P-3, clear competency standards different from the others must be defined.

In Japan, the work contents of Labor and Social Security Attorneys have been stipulated by the Labor and Social Security Attorney Law (Article 2, Article 27), and each Prefectural Labor and Social Security Attorneys Association also provides "work contents" and "Ethics Regulations" and guidelines of "can do" and "cannot do". These correspond to 'Competency' in Indonesia, and publicize information to the general public widely<sup>58</sup>.

### **8.8 Necessity of Establishment of Association similar to Japanese Case and the Function of such Association**

BPJS Health and BPJS Employment have LSP P-2, but if such LSP P-2 is not expected to be national qualification with LSP P-3, it is not necessary to establish an organization similar to the National Federation of Labor and Social Security Attorneys Association. As mentioned above, if such national qualification aims to receive the accreditation of LSP P-3 from BNSP and aim to make it the same qualification as lawyers, etc., such organization other than both BPJS should be responsible for the operation of the qualification under the supervision of related government institutions. The main reasons are as follows.

- Managing and operating the qualification system by government agencies under jurisdiction will become complicated due to the amount of work.
- Establishing an independent institution can be expected to be fair from a neutral standpoint with regards to the implementation of the examination.
- Flexible activities such as dissemination and promotion activities about the work of Labor and Social Security Attorneys (tentative name) can be done.
- In case of conducting other coordination work such as labor-management dispute resolution / solution other than the application and collection of premiums, Labor and Social Security Attorneys can settle from a neutral standpoint outside of the so-called tripartite composition of "the Government, the Employee and the Employer".
- As a social insurance expert, they can function as an advisor to people.

The main consignment work in that case will be as follows:

- Coordination with competent authorities
- Operation of Social Security Expert Examination

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<sup>58</sup> <http://osaka-roudoukyoku.jsite.mhlw.go.jp/library/osaka-roudoukyoku/H25/kantoku/251203.pdf>

- Management of successful applicants and their records
- Training on business initiators (business contents and ethical rules)
- Collection and management of membership fees

Since the Secretariat is needed for this organization, it is necessary to calculate the necessary number of staffs based on the size of the assumed social security expert (tentative name), and recruit staff. Furthermore, considering establishment of a branch office at least in the region from the viewpoint of having domestic uniformity, the social security expert who passed the examination is obliged to register to the branch of the area where he / she works, and at the same time membership fee should be collected from social security expert.

### **8.9 Matters to be Prescribed in the Guideline**

Examples of cases indicated as guidelines for eligibility for examination by Japanese Labor and Social Security Attorneys examination are as follows. It looks for minimum knowledge and experience as Labor and Social Security Attorneys.

**Table 8-7 Guideline for Examination Qualification  
(Case of Japanese Labor and Social Security Attorneys)**

1. Educational Background
2. Practical Experience
3. National Qualification Holders who are approved by Minister of Health, Labour and Welfare

Source: Examination Center of Labor and Social Security Attorneys

### **8.10 Formulation of Presidential Decree (Peraturan Presiden:PP) and Cabinet Order (Peraturan Pemerintah)**

Both the Presidential Decree and the Cabinet Order require 3 to 6 months of work period. During the formulation period, the following works will be done. Incidentally, the Presidential Decree has the same effect as the law, and it is possible to prepare to the notice in a short period of time as compared with the law requiring Diet approval. On the other hand, the Cabinet Order becomes one lower level of the law, and it will be confirmed by the Chief Cabinet Secretary by the preparation of the competent authority. Specific work is as follows.

The criteria of whether to make the Presidential Decree or the Cabinet Order will depend on the contents. If the content is already referred in law and additionally add some statement for the operation, it should be cabinet order. On the other hand, if the content is new but it is necessary to define, the Presidential Decree would be used<sup>59</sup>.

#### **Presidential Decree**

There are three (3) steps before issuing the Presidential Decree

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<sup>59</sup> In case this definition is used for JADEK-JKN and Perisai, current legal contents need to be understood

(1) Preparation

Preparation will be done by responsible Ministry. Name of PP and text of the PP will be prepared 1 year before the announcement. Also contents of the PP need to be registered to Ministry of Law and Human Rights in either September or October of each year.

Ministry of Law and Human Rights will examine the contents, and discrepancy with other laws.

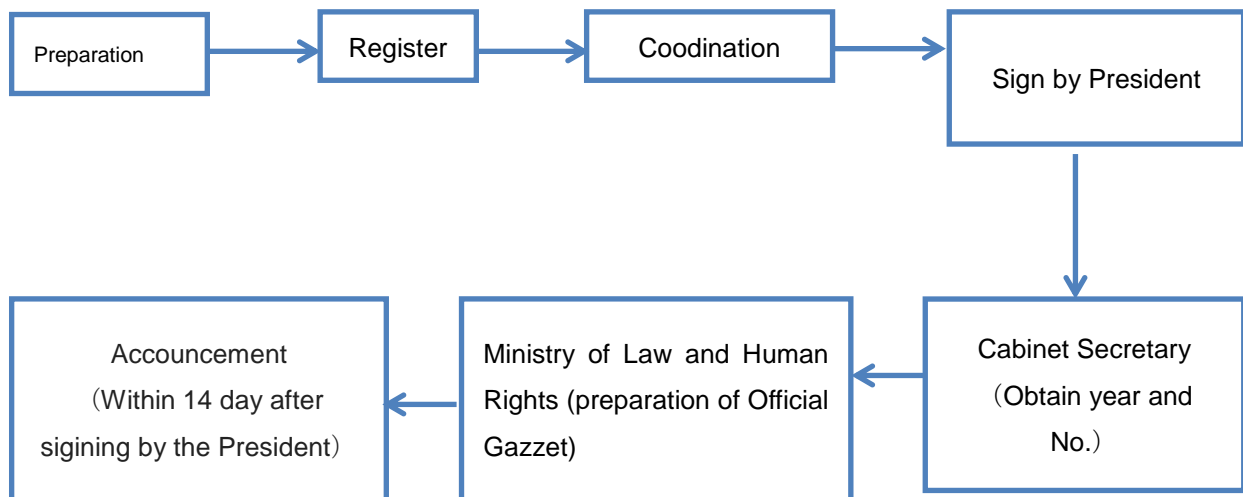
(2) Coordination

Text and contents are examined by related ministries, and coordinate whether there are obstacles for operation.

The President will sign the documents after such coordination.

(3) Submission to Secretary of Cabinet

Year and Number will be issued and inform Ministry of Law and Human Rights. Ministry of Law and Human Rights will announce in the Official Gazette within 14 days.



**Cabinet Order**

There is not much difference with the Presidential Decree with the procedures.

There is no signature by the President, the most important procedure is the submission to the Cabinet Secretary, but the examination of the contents, etc will be done by the Ministry of Law and Human Rights.

## Chapter 9 Possibility of Collaboration with Local Government and Occupational Association in Social Security Systems

In Japan, the coverage expansion and premium collection of national health insurance is administered by local government (city, town and village)<sup>60</sup>. Also, local governments have been in charge of coverage expansion and premium collection of national pension system as the administrative affairs delegated from central government by law. Thus, from experiences in Japan, it is beneficial to examine possible systems in which local governments take some responsibilities from national government because it might be more efficient than national government itself takes all those responsibilities. From this point of view, the research on local government in Indonesia was conducted to examine future possibilities whether local governments would have roles and/or functions in the field of social security system for national health coverage in Indonesia.

### 9.1 Overview of Local Administration System

#### 9.1.1 Structure of Local Administration

In the structure of local administration, under the national government, there are two tiers of local administration bodies: provinces and regencies/cities. Under regencies/cities, there are sub-districts (kecamatan) and administrative villages (kelurahan) as subdivisions of local government. There are rural villages (desa) which deal with administrative matters delegated from provinces and/or regency/city, but rural villages themselves are not local governments.

The following figure shows this structure public administration in Indonesia.

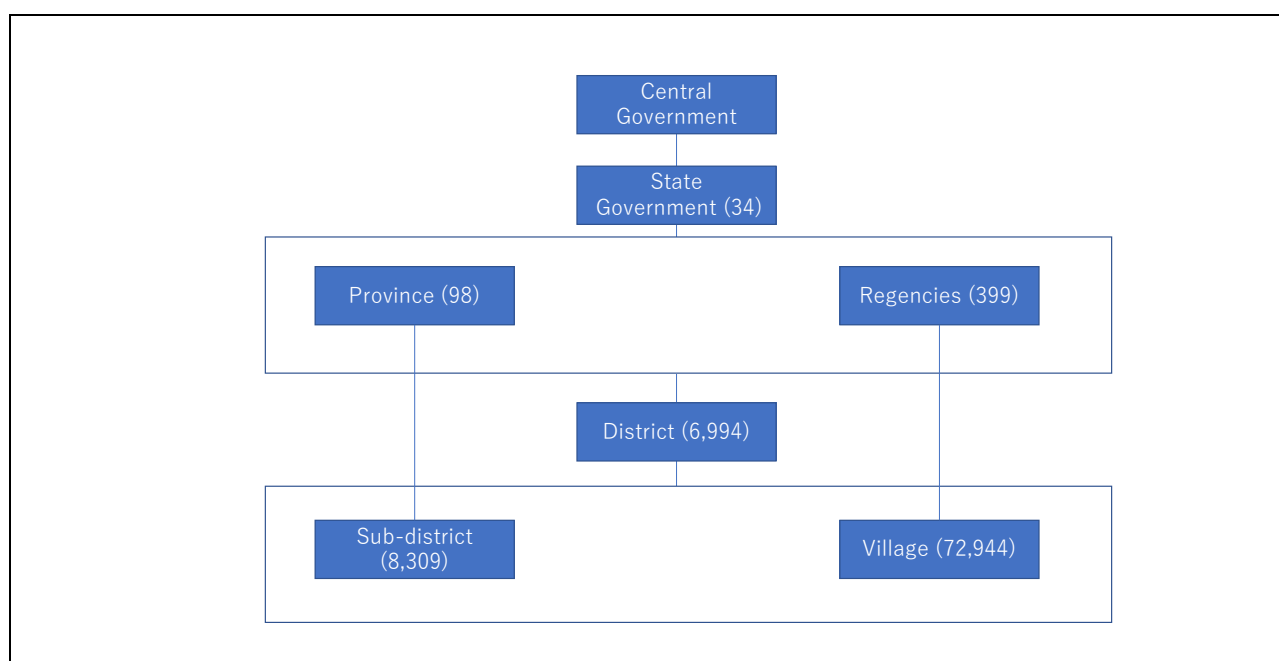


Figure 9-1 Structure of public administration in Indonesia

<sup>60</sup> Administration unit of National Health Insurance will be transferred to local government from April 2018. But the application and collection of premium will be done by municipalities.

### 9.1.2 Local Administration Law (1999, 2004 and 2014)

In the Constitution of Indonesia ratified in 1945, there are not any specific provisions regarding the local administration system. In the eras of President Sukarno and President Suharto, needs for establishing local administration system were not prominent because the highly centralized administration system work well. However, decentralization of authorities drastically proceeded after 1999 and the local administration law was established accordingly in 1999. The provisions regarding local administration system in the Constitution was enhanced with the amendment of Constitution in 2000.

The local administration law was significantly amended in 2004 and 2014, and the direction to excessive decentralization was modified because administrative ability of local governments were not enough in current situation and the strengthening of administrative capacity has been promoted through the lead of the national government.

#### (1) Local administration law 1999

The local administration law 1999 lead to strengthening local decentralization and its impact was called “the Big Bang.”<sup>61</sup> The authority of national government was limited to foreign policy, defense and security, judicial policies, national monetary and fiscal policies, religious affairs and others; all the other areas are the matters for local authorities.

Administrative affairs of national government provincial government and regency/city government stated in the law 1999 are summarized in the table below.

**Table 9-1 Administrative affairs of national, provincial and regency/city government  
(Law 1999)**

	Contents
National	<ul style="list-style-type: none"> <li>• Foreign policy, defense and security, judicial policies, national monetary and fiscal policies, religious affairs</li> <li>• Other areas</li> </ul>
Province	<ul style="list-style-type: none"> <li>• Administrative affairs extend to more than one regency/city</li> <li>• Administrative affairs which regency/city cannot handle</li> </ul>
Regency/City	<ul style="list-style-type: none"> <li>• Administrative affairs except national and provincial affairs</li> <li>• Public works, health, education/culture, agriculture, transportation/communication, commerce and industry, investment, environment, land, cooperatives, labor (*those are defined as the affairs of duties of regency/city)</li> </ul>

The head of governments (Governor of province, Mayor of regency and Mayor of city) are appointed by local councils and the heads of governments are responsible to local councils. The Governor of province is also acts as deputy of national government and is responsible for national government. Local councils became able to remove heads of local governments. However, rapid decentralization caused confusions because establishment of local governments concerning organizational structure and human resources and

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<sup>61</sup> World Bank 2002



other systematic preparation were not ready at that time. The following issues were pointed out<sup>62</sup>.

- Conflicts caused by differences for interpretation of meaning of law lead to administrative stagnation
- Regency/City acquired greater voices and Province lost functions of supervising them
- Removal of local government heads and intervention into personnel matters by local councils over concessions became serious problems.

It followed that national government started to revise the Local Government Law soon after it became effective in 2001.

## (2) Local Administration Law 2004

The over-decentralization by the Local Administrative Law 1999 was revised by the Local Administrative Law 2004.

The following were some points of revisions<sup>63</sup>.

- The provisions stated that there are no hierarchical relations between provinces, and regency/city was removed. The 2004 Law clearly states that governors of provinces are deputy organizations of national government and supervise regency/city governments.
- Local government must coordinate with national government agencies concerning important matters such as local taxes and land use, and local governments must report to national governments regarding other areas after decision by local councils under the 2004 Law.
- When national government decide that local regulations violate public interests or higher laws, that regulations become invalid.

In addition, the number of administrative affairs between national/local governments and province/regency/city governments increased dramatically, and the administrative sharing became a principle. Also, national government intended that the increase of overlapping of authorities among province and regency/city led to the strengthening of authority of provincial government as a deputy of national government against regency/city<sup>64</sup>.

Administrative affairs of national, provincial and regency/city governments by Local Administration Law 2004 are as follows.

**Table 9-2 Administrative affairs of national, provincial and regency/city government  
(Law 2004)**

National	Foreign policy, defense and security, judicial policies, national monetary and fiscal policies, religious affairs
Compulsory affairs by province	a. development planning and control b. spatial layout planning and control c. maintenance of public peace and order

<sup>62</sup> Council of Local Authorities for International Relations (2009), P27

<sup>63</sup> Council of Local Authorities for International Relations (2009), P28-29

<sup>64</sup> Okamoto, 2012, P49

	<ul style="list-style-type: none"> <li>d. provision of public facilities and infrastructure</li> <li>e. handling of health problems</li> <li>f. provision of education and allocation of potential human resources</li> <li>g. control of inter-regental/municipal social problem</li> <li>h. provision of inter-regental/municipal manpower services</li> <li>i. development of cooperative, small and medium businesses including inter-regental/municipal businesses</li> <li>j. control of environmental impact</li> <li>k. provision of agricultural services, including inter-regental/municipal services</li> <li>l. provision of population services and vital statistics</li> <li>m. provision of public administrative services</li> <li>n. provision of capital investment services, including inter-regental/municipal services</li> <li>o. provision of other basic services that cannot yet be provided by regencies/municipalities</li> <li>p. other compulsory affairs mandated by the legislation.</li> </ul>
Compulsory affairs by regency/city	<ul style="list-style-type: none"> <li>a. development planning and control</li> <li>b. spatial layout planning, use and control</li> <li>c. maintenance of peace and order</li> <li>d. provision of public facilities and infrastructure</li> <li>e. handling of health problems</li> <li>f. provision of education</li> <li>g. handling of social problems</li> <li>h. provision of manpower services</li> <li>i. development of cooperatives, small and medium business</li> <li>j. control of environmental impacts</li> <li>k. agrarian services</li> <li>l. provision of population services and vital statistics</li> <li>m. provision of public administrative services</li> <li>n. provision of capital investment services</li> <li>o. provision of other basic services</li> <li>p. other compulsory affairs mandated by the legislation.</li> </ul>

Furthermore, by the Local Administration Law, the Governor of province, mayor of regency/city were directly elected by citizens.

### (3) Local Administration Law 2014

The local administration law was revised in 2014, too. The scope of local decentralization was narrowed compared to the Law 2004 and that leads to strengthening the authority of national government and power of supervision over local governments<sup>65</sup>.

The Local Administration Law 2014 stated the governmental affairs as follows.

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<sup>65</sup> Shimada, 2017, P73

**Table 9-3 Administrative affairs of national, provincial and regency/city government  
 (2014)**

Absolute Government Affairs (under the authority of the national government)		<ul style="list-style-type: none"> <li>a. foreign policy</li> <li>b. defense</li> <li>c. security</li> <li>d. judicial</li> <li>e. national monetary and fiscal</li> <li>f. religion</li> </ul>
General Government Affairs (under the authority of the President)		<ul style="list-style-type: none"> <li>a. fostering national awareness and national defense</li> <li>b. fostering national unity</li> <li>c. fostering harmony and intrasuku tribal, religious, racial, and other groups</li> <li>d. social conflict resolution in accordance with the legislation.</li> <li>e. coordinating the implementation of the tasks of government agencies</li> <li>f. development of democracy based on Pancasila</li> <li>g. implementation of all Government Affairs that is not a regional authority and not implemented by the vertical institutions</li> </ul>
Concurrent Government Affairs	Mandatory Government Affairs relating to Basic Services	<ul style="list-style-type: none"> <li>a. education</li> <li>b. health</li> <li>c. public works and spatial planning</li> <li>d. housing and residential areas</li> <li>e. peace, public order, and the protection of society</li> <li>f. social.</li> </ul>
	Mandatory Government Affairs not related to the Basic Services	<ul style="list-style-type: none"> <li>a. workforce</li> <li>b. empowerment of women and protection of children</li> <li>c. food</li> <li>d. land</li> <li>e. the environment</li> <li>f. population administration and civil registration</li> <li>g. community empowerment and village</li> <li>h. population control and family planning</li> <li>i. nexus</li> <li>j. communication and informatics</li> <li>k. cooperatives, small businesses, and medium</li> <li>l. capital investment</li> <li>m. youth and sport</li> <li>n. statistics</li> <li>o. coding</li> <li>p. culture</li> <li>q. library</li> <li>r. archival.</li> </ul>
	Optional Government Affairs	<ul style="list-style-type: none"> <li>a. marine and fisheries</li> <li>b. tourism</li> </ul>

		c. agriculture d. forestry e. energy and mineral resources f. trade g. industrial h. transmigration.
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The roles of administrations were shared between national government and regency/city by the Local Administration Law 2004, and the roles of administrations were also shared between national government and provincial government by the Local Administration Law 2014. Therefore, the roles of regency/city relatively decreased. For example, in the area of forestry and mining, the authority of government approval and license went from regency/city governments to provincial governments and provincial government acquired bigger authorities<sup>66</sup>.

Article of 91 (2) of the Local Administration Law 2014 states the role of provincial governor as follows.

**Table 9-4 Tasks of Provincial Governor**

a. coordinate the guidance and supervision of the implementation of Co-Administration Tasks in the Regencies / Municipalities b. conduct monitoring, evaluation, and supervision on the implementation of Local Government districts / cities in the region c. empower and facilitate districts / municipalities in their areas d. evaluation of District / Municipal Perda draft on RPJPD, RPJMD, APBD, APBD changes, accountability of APBD implementation, regional spatial planning, local taxes, and regional levies e. supervising District / Municipal Regulations f. perform other duties in accordance with the provisions of the legislation.
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### 1-3 Internal organizations of regency/city

As internal organizations of regency/city, there are sub-districts (kecamatan) and administrative villages (kelurahan) as subdivisions of local government.

Sub-districts (Kecamatan) is administrative organizations under regency/city, and administrative village (Kelurahan) is administrative organizations under sub-districts (kecamatan). Rural villages (desa) gains autonomy to some extent by the Village Law 2014, but they still are not administrative organizations.

The tasks of heads of sub-district (camat), administrative village (lurah) and rural village (kepala desa) are as follows.

**Table 9-5 Tasks of Head of Sub-district (Camat) (appointed by mayor of regency/city)  
 (Article 225 of the Local Administration Law 2014)**

a. to carry out general government affairs as referred to in Article 25 paragraph (6) b. coordinate community empowerment activities c. to coordinate efforts to maintain public order and tranquility
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<sup>66</sup> AKSET, 2015, INOBU, 2016

- d. coordinate the enforcement and enforcement of Perda and Perkada
- e. coordinate the maintenance of public infrastructure and facilities
- f. to coordinate the implementation of government activities carried out by the Regional Devices in the Kecamatan
- g. foster and supervise the implementation of village and / or village activities
- h. carrying out Government Affairs which is the authority of the Regions / municipalities not implemented by the work units of the District / Municipal Regions in the Kecamatan
- i. perform other duties in accordance with the provisions of legislation.

**Table 9-6 Tasks of Head of Administrative Village (Lurah) (appointed by mayor of regency/city) (Article 229 of the Local Administration Law 2014)**

- a. carrying out administrative activities of the kelurahan
- b. community empowerment
- c. carrying out community services
- d. maintaining public order and peace
- e. maintaining public service infrastructure and facilities
- f. perform other tasks assigned by the sub-district head
- g. perform other duties in accordance with the provisions of legislation.

**Table 9-7 Tasks of Head of Rural Village (Kepala Desa) (elected by citizens) (Article 26 of the Village Law 2014)**

- (1) Organizing the Village Government, implementing the Village Development, village community development, and village community empowerment.
- (2)
  - a. leading the administration of the Village Administration
  - b. lifting and dismissing village apparatus
  - c. holds the power of management of the Finance and Village Assets
  - d. establish Village Rules
  - e. set Village Revenue and Expenditure Budget
  - f. fostering the life of the village community
  - g. foster the peace and order of the village community
  - h. foster and improve the village economy and integrate it to achieve productive-scale economy for the greatest prosperity of the village community
  - i. developing a village income source
  - j. propose and accept the transfer of a portion of the state's wealth to improve the welfare of the village community
  - k. develop the socio-cultural life of the village community
  - l. utilizing appropriate technology
  - m. coordinate participatory village development
  - n. represent the Village inside and outside the court or appoint a legal representative to represent it in accordance with the provisions of legislation
  - o. to exercise other powers in accordance with the provisions of legislation.

Each local government makes its own development plan, and the sub-divisions of local governments, such as

sub-districts (kecamatan) and administrative villages (kelurahan) also make their own development plans. The development plan of the administrative villages (kelurahan) is planned in reflection of opinions from neighborhood associations such as RW. The development plan of the sub-districts (kecamatan) is planned to reflect the opinions from the administrative villages (kelurahan) in their areas. The development plan of the regency/city is planned to reflect the opinions from the sub-districts (kecamatan) in their areas. Therefore, in the process of making the development plan, the opinions of citizens are reflected systematically.

The administrative body which is closest to people is the administrative villages (kelurahan), but the number of employees and the budget is not enough if they take more responsibilities from national government or other local governments. Some administrative villages have few employees and some have only temporary staff except the heads of administrative villages.

The administrative villages take responsibility for sub-districts, and sub-districts take responsibility for regency/city, so each sub-divisions of local government are responsible to higher level of divisions. The administrative costs of sub-districts and administrative villages come from higher organizations. The sub-districts and administrative villages do not collect any money from people in their areas. One of the reasons for that is to avoid corruption<sup>67</sup>.

The rural villages are funded from national government directly because they were allowed some extent of autonomy, but the effects of those funds are not examined yet<sup>68</sup>.

## **9.2 Tax Administration in Local Administration**

### **9.2.1 Local Tax System (Law and Tax Items)**

The local tax system is regulated by the Local Taxes and User Charges No. 28 2009. The tax items of provincial and regency/city are follows.

(1) Types of provincial taxes:

- a. Vehicle tax
- b. Transfer of Motor Vehicle Title
- c. Motor Vehicle Fuel Tax
- d. Surface Water Tax
- e. Cigarette Tax.

(2) Type of regency/city taxes:

- a. Hotel Tax
- b. Restaurant tax
- c. Entertainment Tax
- d. Advertisement tax
- e. Street lighting tax
- f. Non-metallic and rock mineral taxes

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<sup>67</sup> Based on the interview

<sup>68</sup> Based on the interview

- g. Parking Tax
- h. Groundwater Tax
- i. Swallow's Nest Tax
- j. Land Tax and Rural and Urban Buildings Tax
- k. Acquisition of Land and Building Rights Tax.

Land Tax and Rural and Urban Buildings Tax, and Acquisition of Land and Building Rights Tax were decentralized between 2011 and 2014, and the national government stopped collecting them in 2014.

National tax such as individual income tax and corporate income tax are levied based on the filings from taxpayers. On the other hand, land tax and building taxes are levied by the tax calculation by local governments. The tax items are not added by local governments. The tax items are defined by the national law.

### **9.2.2 Local Government Finance**

In the regency/city, the proportion of tax revenues to the financial expenses is quite low, and it depends greatly on fiscal transfer from the national government. In recent years, a large amount of subsidies have been funded from national government to rural villages.

Local government finance is monitored by the national government, and the national government is controlling their funds to local governments.

The national government, the Ministry of Internal Affairs are supervising the activities of local governments. Local governments must report their financial reports to the Ministry of Internal Affairs, and the Ministry decides the amount of financial transfers from national to local governments based on those reports. This is defined by the Law on financial balance between national and local governments.

Under the Law on Local Administration 1999, the budgets of local governments needed only retrospective approvals from higher authorities, but after the amendment of the Law, it is required to have pre-approvals<sup>69</sup>.

In case the local councils have passed a budget ordinance draft, the local heads must promptly prepare drafts of the local ordinance concerning the detailed items of the local budget, and it must be submitted to the Minister of Interior in the case of the province or to the Governors in case of regency/city to receive their evaluation. The Interior Minister and Governors must evaluate those drafts in fifteen days after examining the consistency with the policies of national government, perspectives of public welfare and upper ordinances. The local heads will legalize their budgets after approvals from higher authorities. However, when the Internal Minister or Governors have opinions for amendment or the budgets, the local heads must revise their budgets together with their local councils within seven days. If the local governments forced to approve the budget ordinance without responding to the revised opinion from the higher ranking government, as the upper government invalidates the budget ordinance and the local budgets are limited within the amounts of the former years budgets<sup>70</sup>.

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<sup>69</sup> Okamoto, 2012, P53-54

<sup>70</sup> Council of Local Authorities for International Relations (2009), P34

### **9.3 Resident Registration Administration in Local Administration**

#### **9.3.1 Resident Registration System (Law)**

The system of resident registration is defined by the Population Administration Law No. 23 2006. That law is amended by the Law No. 24 2013.

In the Resident Registration System, residents must report to governments when they move from one place to another, but people do not report correctly and timely manner in some cases.

#### **9.3.2 Information Sharing by ITC**

The national identification number called NIK is the jurisdiction of the Ministry of the Interior, but this number is utilized to manage various services and information. Specifically, even in mobile applications that Kader-JKN and Perisai utilize, NIK is entered to verify the persons. This NIK is stated on the identification card and is also registered at the same time when qualification is obtained (ex. The case of a lawyer)<sup>71</sup>.

### **9.4 Administrative Collaborations among National, Provincial and Regency/City Governments**

#### **9.4.1 Collaboration Systems (Areas in Collaboration)**

- Decentralization (Desentralisasi)

Decentralization is the delivery of Government Affairs by the Central Government to an autonomous region based on the Autonomy Principle.

- Decentralization (Dekonsentrasi)

Decentralization is a delegation of some Governmental Affairs, which were under the authority of the Central Government, to the governor as the representative of the Central Government, to vertical agencies in certain areas, and/or to the governors and regents/mayors in charge of general government affairs.

- Vertical Agencies (Instansi Vertikal)

Vertical substance is a ministry and/or non-ministerial government agency administering Government Affairs which is not submitted to an autonomous region within a particular area within the framework of Decentralization.

- Co-Administration (Tugas Pembantuan)

Co-Administration is an assignment from the Central Government to an autonomous region to implement a portion of the Governmental Affairs which is the authority of the Central Government or from the Regional Government of the province to the Regency / Municipal Region to implement a portion of the Governmental Affairs which is under the authority of the Provincial Region.

#### **Important Information**

(Differences from existing literature) There are four concepts in the Law (above mentioned).

In the Local Administrative Law of Indonesia, there are three basic concepts concerning division of

<sup>71</sup> NIK number is issued at the same time when child is born. KTP card will be issued when a person reaches at the age of 17. KK card which is issued with a family registers the address of the household.



responsibilities between the national government and local governments and/or between local governments: a. Decentralization, b. Decentralization, c. Co-Administration. The tasks of each governments are decided based on this basic concept.

First, "Desentralisasi" means that the national government should transfer the administrative authority as much as possible to local governments in accordance with the principle that local governments "have the utmost extensive autonomy" (Article 1, 7 of the Law). The affairs transferred by this concept will be autonomous affairs in Japan, and local governments will execute them as their own duties. In the case of decentralization, the national government must attach financial resources, facilities and staff necessary for the implementation of the affairs (Article 12 (1) of the Law), the property acquired by this belongs to the local government.

Next, "Dekonsentrasi" corresponds to the former institutional delegation affairs in Japan, and the implementation of the national government's inherent affairs are delegate to the branch offices of national governments and/or provincial governors as deputy of national government (Article 1, 8 of the Law), which means decentralizing the central government's decision making and administrative structure of policy implementation. However, this distribution does not transfer the administrative authority, but local governments are required to carry out administrative tasks in accordance with the rules established by the national government, and the discretion of local governments is small. The necessary funds allowance is provided for the execution of authority diversification affairs (Article 12 (2) of the Act), but the property obtained through the use of such funds belongs to the central government.

Lastly, "assistant task (Tugas Pembantuan)" means delegating the execution of specific task from the national government to local governments, from provincial to regency/city/village governments, or from regency/city to village governments (Article 19 of the Law). When delegating, local governments are given certain discretion because they are supplementary to fund allowance, facilities, and human resources, and they are delegated administrative affairs. The national government establishes the minimum service standard (Standar Pelayanan Minimal) when executing the affairs, and supports the lower level government to maintain the standard when performing the assistance mission. In addition, in the case that it is deemed by law that there is the ability to meet the minimum service standard stipulated by the national government, the upper level government can transfer the administrative affairs gradually to the local governments that delegated the assistant duties there (Article 17 of the clerical decree).

#### **9.4.2 Examples of Collaborations**

From the results of interviews, there are no actual examples/systems that the local governments implement national affairs instead of national governments.

### **9.5 Collaboration with BPJS Health / BPJS Employment and Local Governments**

#### **9.5.1 BPJS Health**

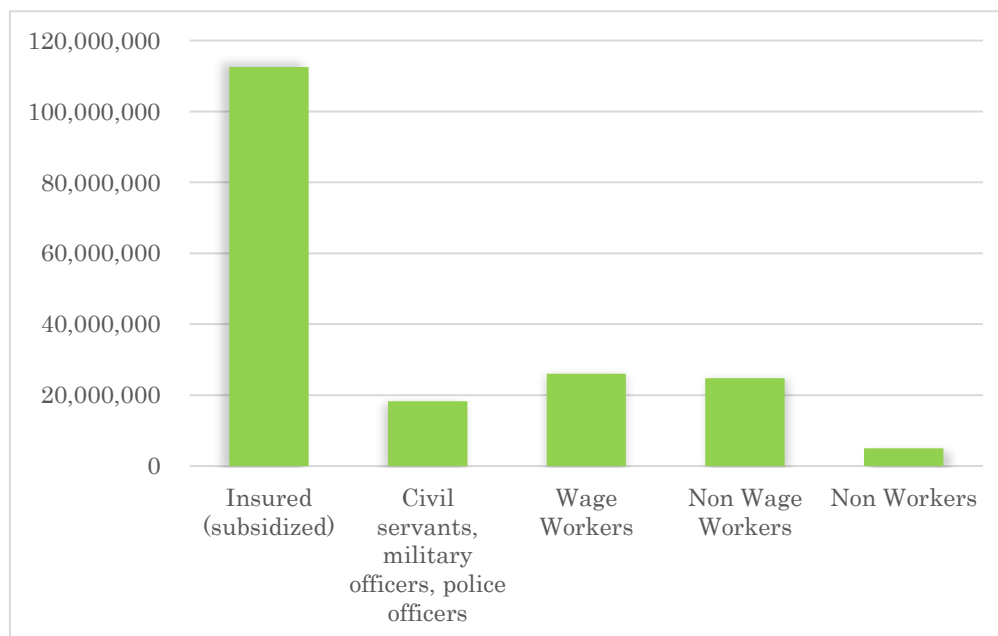
(1) Health Insurance Subscription and Premium Payment of Local Government Employee

The Employees of local governments are eligible for BPJS health insurance, and local governments as employers pay insurance premiums to BPJS Health. The premium rate for local government officials is

5% of monthly salary; 3% of which is borne by the local governments as employers and 2% is paid by local government officials who are subscribers. The insurance premium payment is made to BPJS Health together with the local governments.

(2) Health Insurance Subscription for recipients from government subsidies and their premium payments  
 The local governments pay health insurance premiums for the recipients of local government subsidies (PBI) in their areas. The premium is 23,000 Indonesian Rupiah per person per month<sup>72</sup>.

The number of health insurance subscribers who receive subsidies by local governments (PBI) is about 20 million (as of December 1, 2017, from the BPJS Health website). The breakdown of BPJS Health insurance subscribers is as follows.



**Figure 9-2 Breakdown of BPJS Health insurance subscribers**

(3) Promotion for subscription of non-subscribers

In line with the inauguration of the National Health Insurance System by BPJS Health in January 2014, the insurance that was previously under the jurisdiction of local governments has been transferred to BPJS Health, and Health Insurance is under the jurisdiction of BPJS Health. However, in order to implement the Health Insurance system based on BPJS health, local governments still have important roles as follows.

- Local governments hold awareness raising activities on the promotion of subscription of health insurance (holding and implementing events, posting of notices, etc.)
- Local governments receive application documents for health insurance subscription (BPJS health staff collect them later)

<sup>72</sup> Including the persons who used to join JAMKESDA and transferred to BPJS Health.

· Local governments recommend Kader-JKN candidates for BPJS Health

From the interview with BPJS Health, there are some cases in which cooperatives (Koperasi) collect its members premiums. Those are just a few cases nationwide, but those kinds of cooperation with public organizations such as cooperatives may be beneficial for further coverage expansion and effective premium collection.

### **9.5.2 BPJS Employment**

#### **(1) Social Insurance Subscription and Premium Payment of Local Government Employee**

Social Insurance of BPJS Employment (work-related accident benefit, old age benefit, death benefit, pension benefit), are eligible for all workers, so local governments officials are also subscribers. Insurance premiums are paid to BPJS Employment by the local governments as employers in cooperation with their own share.

#### **(2) Collaborations between Local Governments and BPJS Employment**

BPJS Employments are collaborating with local governments for implementing their policies as follows.

· Awareness raising activities on BPJS Employment insurance  
· Issue proof that candidate organizations for Perisai office exist in the area of their local governments

BPJS Employment is working with rural villages (desa), although they are not local governments. Efforts of social security villages are advancing as a pilot project in the Merdikorejo Village of Tempel Ward and Seleman Regency of Yogyakarta. There are possibilities that these kinds of efforts will be developed nationwide.

### **9.6 Possibilities of Collaboration between Local Government and Occupational Association**

The laws and regulations concerning delegation of tasks of BPJS Health and BPJS Employment to local governments are not identified and it is unclear that local governments have abilities and capacities to take over the tasks of BPJS Health and BPJS Employment such as insurance subscription paperwork procedures and premium collections.

However, even now, there is some collaborating in administrative implementation level such as promotion for coverage expansions.

These kinds of collaborating efforts would lead to deepening the knowledge of social security among many people and capacity expansion of local government employees. Those capacity development would lead to more collaboration between both BPJS and local governments.

Also, the possibilities that rural villages (desa) could have an important role for people's day to day activities related to governmental affairs. It is considered that rural villages in Indonesia take similar role

as Japanese local governments such as city, town and village in terms of people's daily lives<sup>73</sup>. Rural village (desa) is not local government, so it is different from Japanese social security system, but it could be effective to collaborate with rural villages (desa) in terms of implementing social security administrations, especially considering the situations that local administration system is changing and the roles of rural village is increasing.

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<sup>73</sup> Igawa, 2016 P163. However, the survey team could not confirm during field survey.

## Chapter 10 ICT Use of BPJS Health and BPJS Employment

### 10.1 BPJS Health

This Chapter summarizes the utilization of ICT at BPJS Health based on the collected information by field survey.

for their work, Kader JKN needs private smartphone, payment terminal provided by Bank, deposit account, and debit card. Private smartphone is for business application use, payment terminal is for realtime-payment, deposit account and debit card are for debit card payment. KaderJKN makes debit card payment when receiving cash from subscribers and at the same time, send the payment information to BPJS Health's system. By applying this procedure, BPJS Health prevents fraud such as embezzlement.

Kader JKN's work contents are listed below.

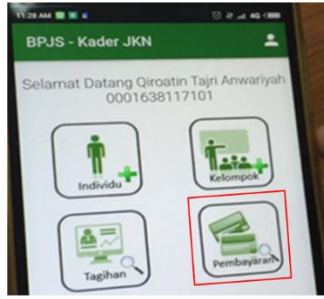
- ① Make sure if they have enough money in their deposit account
- ② Select the target to visit within their assigned area
- ③ Educate their target to pay the unpaid insurance premium. Then register the result of education.
- ④ If the target agrees to pay, KaderJKN collects cash and makes payment by the Bank terminal.
- ⑤ Report that the target paid their premium to BPJS Health system.

BPJS Health prepares ICT to support these work. The descriptions are shown in Figures10-1 and 10-2..

#### ➤ Work Contents①~③


ICT to support procedure of ①~③

① Check deposit




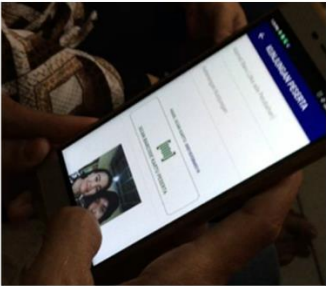
Use deposit check function and make sure having enough money for collection work. If not enough, Kader has to add money from ATM or Bank.

② Select target



Use conditional search function and select to go. Search target by detail condition such as "location" "Type of subscribers" so that visit more potential subscribers.

③ Register function of the visit

Kader will explain the target his/her unpaid situation and educate to pay the insurance premium at the visit. Some targets don't accept to pay, but Kader has to register the visit result because Kader can receive reward even if the visit ended up only education. Read the card's barcode and send picture as a proof.

**Figure 10-1: Work Flow**

Operation from ① to ③ are done as shown in Figure 10-1. The bussiness application used in these processes are provided by BPJS Health. Kader JKN needs to install it on their amartphone in advance.



**Table 10-1: System Provided by BPJS Health**

<b>Terminal</b>	Private smartphone of KaderJKN
<b>Application</b>	Business application provided by BPJS Health
<b>Network</b>	Use private smartphone's communication. In rare case of bad communication environment, procedure is done by paper application.
<b>Necessary information for procedure</b>	Barcode on membership card
<b>Payment method</b>	Between KaderJKN and the target, only cash exchange was observed.

**Table 10-2: System Provided by Bank**

<b>Terminal</b>	Electronic Terminal supplied by Bank which is combined with receipt printer.
<b>Application</b>	Payment application provided by Bank. *This is not special application for KaderJKN's task. It seems that Kader JKN uses general bank service, debit card payment.
<b>Network</b>	Use communication function of the payment terminal itself and make payment.
<b>Necessary information for procedure</b>	KaderJKN's debit card
<b>Payment method</b>	In this observation, the debit card payment from Kader's account was only available.

## 10.2 BPJS Employment

This part summarizes ICT utilization at BPJS Employment based on the interviews to the Headquarters.

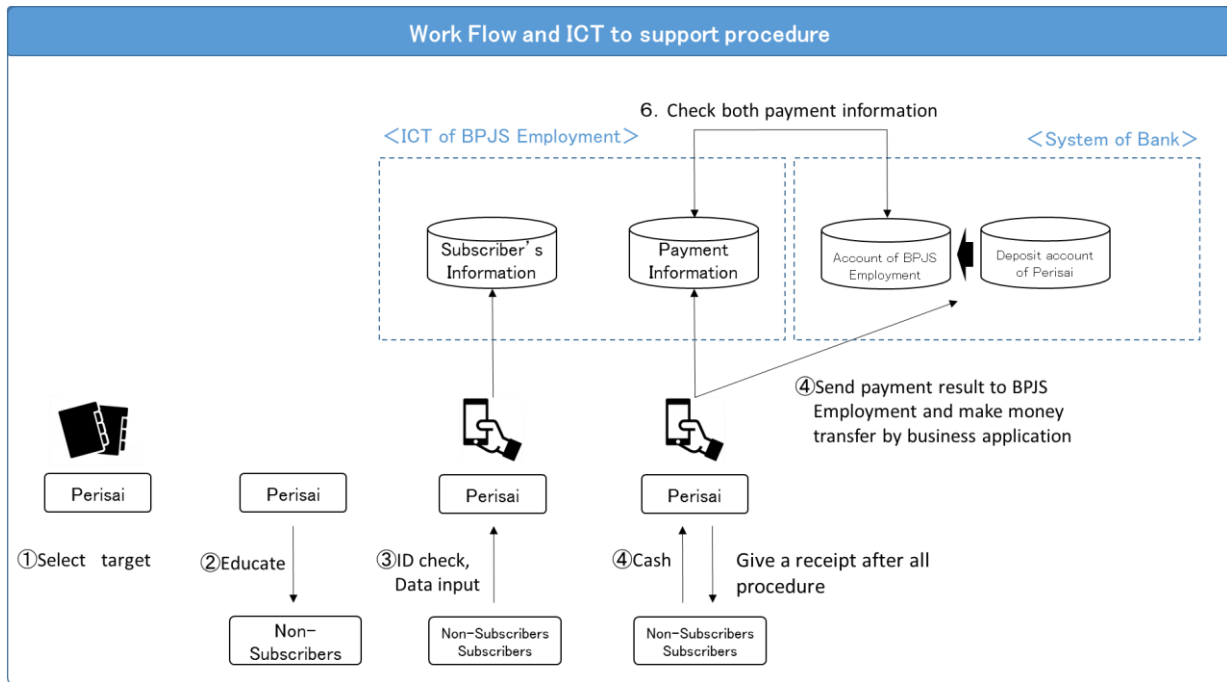
First, Perisai needs private smartphone, bluetooth printer, and deposit account for their work. Private smartphone for business application use, bluetooth printer for printing receipt, and deposit account for money transfer from Perisai's account to BPJS Employment's account when Perisai receives insurance premium in cash.

Like Kader-JKN's system, it seems that immediate payment from Perisai deposit account is adopted for fraud prevention.

Perisai's work contents are as below:

- ① Based on the list of non-subscribers, select the target to educate
- ② Through individual persuasion or gatherings, educate the significance of insurance participation
- ③ If the target agrees to subscribe, register required information after identity verification
- ④ Select the level of insurance to join according to salary level and Perisai collect insurance premium
- ※ If the target is existing subscriber, start with the procedure of ③. Verify identity, register new information in case of any updates, and then proceed to collection.
- ※ If the target is existing subscriber and delinquent, it seems that adjustment will be made at procedure of ④.

The work contents supported by ICT are ③④. There are concret descriptions in Figure10-3.



**Figure 10-3: Work Flow and ICT Support to Procedure**

Figure 10-3 shows the work flow and the ICT use of Perisai. Detailed explanation will be given as below.

**① Check the balance**

Login to the bussiness applicaation with individual ID and password. From “Dashboard” function, Perisai can check his/her balance. If not enough, Perisai has to credit money from ATM or Bank.

\*”Dashbord” function shows not only balance, but also amount of collection, the number of acquisition, and so on.



**② Educate non-subscribers to participate to the insurance, Encourage subscribers to continuous participation**

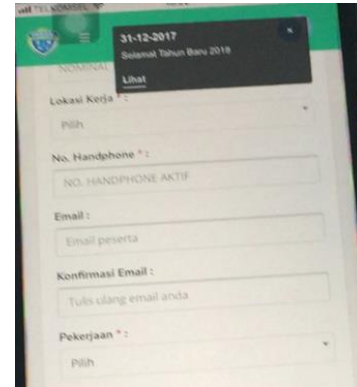
This procedure of ② is very important because BPJS Employment insurance is still low awareness compared to BPJS Health insurance. People still think of health insurance from the word of “BPJS”. For that reason, Perisai tries activities to raise awareness, such as inviting speakers who have strong influence to the gathering or holding study session of BPJS Employment insurance.

At this moment, ICT for this procedure is not prepared by BPJS Employment yet.



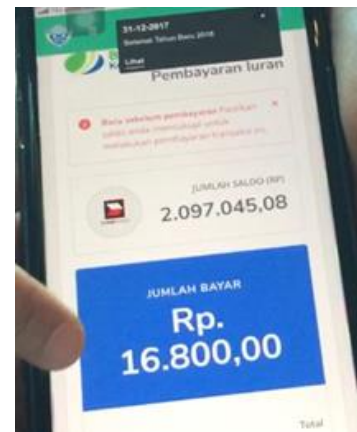
③ Identification and register

After education, if the non-subscriber agrees to participate, Perisai will receive the subscriber’s NIK number to identify himself/herself. When the Perisai application refers to NIK management system and finds the subscriber’s information, existing informatin in NIK system such as name, address, phone number will be automatically sent to the Perisai application. Then input additional information to finish registration.



④ Select insurance program and collect the premium

When the subscriber select insurance program to participate, insurance premium will be calculated automatically by inputted salary information. The subscriber pays premium by cash to Perisai at this timing.



After receiving cash, Perisai sends the payment information to BPJS Employment and make realtime money transfer at the same time through the business application.

\*Codicil

When the procedure on the system is normally completed, an email is sent to the subscriber to inform the subscription information. A digital membership card is attached to the e-mail, and it can be used as a membership card.



(1) Summary of ICT usage

The situation other than specific functions is summarized below.

**Table 10-3: System Provided by BPJS Employment**

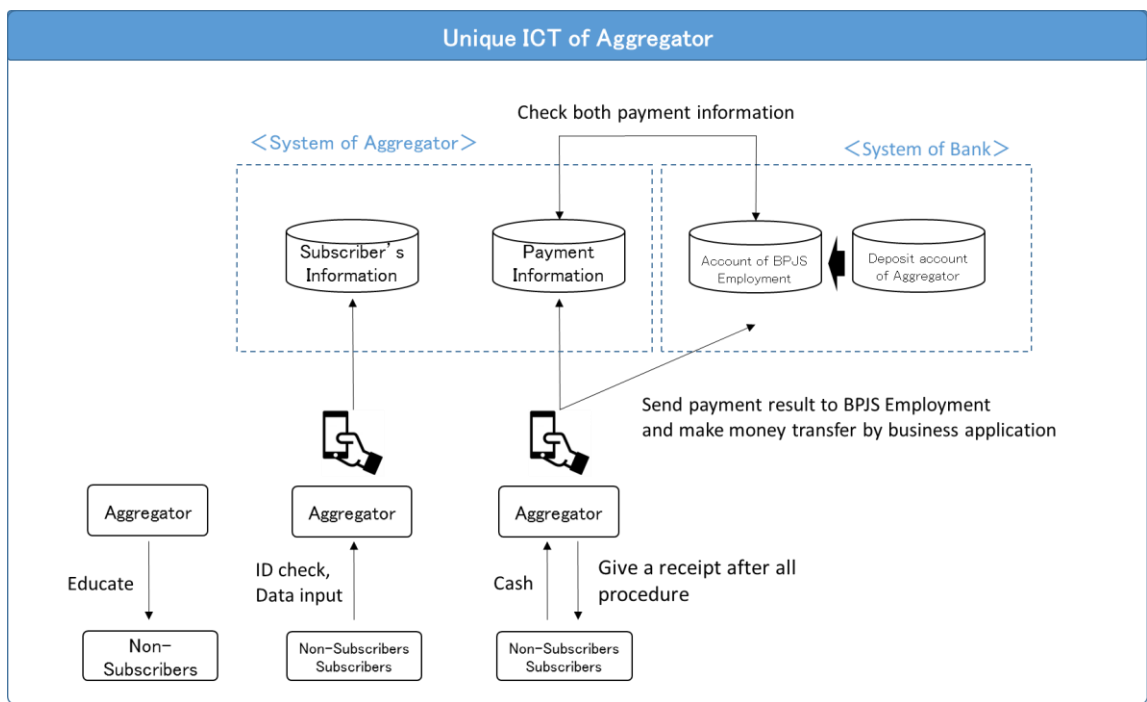
<b>Terminal</b>	Private smartphone of Perisai to use the business application. Bluetooth printer to print receipt.
<b>Application</b>	Mainly business application provided by BPJS Employment. As for money transfer which is described in Figure10-3, it seems that Bank application is connected to BPJS application.
<b>Network</b>	Use private smartphone’s communication
<b>Necessary</b>	non-subscribers : NIK number, name, address, contact number, salary, job type,

<b>information for procedure</b>	duty hours, and this kind of basic information
	existing-subscribers : NIK number
<b>Payment method</b>	Cash exchange is acceptable at least.

(2) Aggregator’s system

Among Perisai, there is an organization like a collecting agency called “Aggregator” and they have unique ICT developed by themselves. The contents of the ICT system is quite similar to the system provided by BPJS Employment as shown in Figure 10 - 4.

When considering the construction of an integrated system for social security consultant, it is necessary to negotiate how to handle this Aggregator’s ICT system.



**Figure 10-4: Unique ICT System of Aggregator**

**10.3 Application Development and Challenges**

By comparing both BPJS ICT system usage that has been described in the previous chapter, deficient functions that need to be addressed in each BPJS can be identified. As application challenges, functions that need to be implemented for more effective KaderJKN/Perisai operation are mentioned.

**10.3.1 Challenges of BPJS Health’s Application**

- The need to develop new subscribers registration function

At the moment, Kader JKN still use paper-based registration for new subscribers.

By using registration system, registration can be done in realtime and be more beneficial for both Kader JKN and new subscriber.

- 
- The need to maintain precise subscriber's salary information

According to our observation, there is no flow in the current ICT system that guaranteed subscriber's salary information that is stored. Developing countries such as Indonesia tends to have a fast growth in minimum wage and if the salary information is not updated, insurance premium would be calculated from original low salary information and KaderJKN couldn't collect precise premium. This will affect payment of benefit eventually. One of the solutions to maintain precise salary information is receiving information regularly from tax office and use the information to update the data inside BPJS Health's system.

- The need for fraud prevention system when collecting insurance premium

From our observation, Insurance premium collection result registration function is not linked directly to bank's debit system thus making this system prone to embezzlement when collecting insurance premium. The current condition now is easy for KaderJKN not to do payment procedure by bank's terminal and keep the cash without anyone knowing it. (if procedure ⑤ in Figure 10-2 does not get executed, the embezzlement will be very hard to notice)

Therefore, there is a need to link insurance premium collection and banks debit system to prevent such fraud.

### 10.3.2 Challenges of BPJS Employment's Application

- The need to develop non-subscribers search function

Currently, BPJS Employment branch offices have to prepare list of non-subscribers for Perisai's acquisition activities because there is no way to search in the business application. This makes searching for new subscribers ineffective and it should be improved. It is expected to link NIK as a primary key to other systems and collect already registered information or to receive subscribers information of BPJS Health so then Presai can find target's number and location.

- The need to simplify process when registering new subscribers

The biggest challenge of BPJS Employment now is to improve the participation rate and so the most important mission of Perisai is to acquire more subscribers. Thus simplifying registration process is highly desirable.

This could be done by using NIK as a primary key and linking it to other government systems to input address, birth date, salary information, etc. to simplify registration while reducing the chance for error compared to registering them manually.

Some functions that need to be implemented in both BPJS's applications are discussed below.

- Enhance payment method

Currently, Kader JKN/Perisai main target is the informal sector, and the main payment method is cash-payment. While this maybe unavoidable in the circumstances, cash-payment method is not safe and easy to be corrupted.

In major cities such as Jakarta that has more access to financial institutions and more payment method, cashless-payment method, such as by e-money, credit cards, etc.. is installed.

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On the other hand, in rural areas that has limited access to financial institutions or payment methods, transferring funds through cellphone could be introduced just like M-pesa that has been introduced in Kenya to avoid cash-payment. Such developments cannot be realized only by improving IT infrastructure. Rural areas also need development of social infrastructure such as human/agencies where people can charge cellphone or e-money.

■ Stronger security

Both BPJS systems handle sensitive information such as salary information, insurance premium, etc. and are prone to be a target of cyber crime.

Authentication of KaderJKN/Perisai, seminar for securities to increase IT literacy of the system user, installing even stronger security tool for the current system are needed to increase the overall security for these systems.

Challenges that are worth to consider because both BPJS and social security consultant's activity will grow wider in the near future are discussed below.

■ Strengthening robustness

From social security consultant activity, increase in insurance subscribers and reduction in delinquency can be fulfilled and both BPJS systems will be very important social infrastructure. Such infrastructure should not only consider system optimisation but also guarantee that the system is always available and usable without troubles. Both BPJS need to start verifying if such systems can be realized by upscaling the current system.

From now on, in order to achieve what has been stated above, both BPJS need to consider adopting the latest or advanced software and hardware. But it is predictably hard to complete by just relying on internal IT department. Such advanced expertises are better outsourced to the expert because they tends to have more resources and knowledge.

■ Link to the benefit insurance system

The social security consultant is specialized in acquisition of new subscribers and insurance premium collection, but the consultant's role itself links heavily with benefits payment. False benefits payments are also a big risk that can not be ignored. In advanced countries, the implementation of using AI to detect fraud transactions has been started, and use of such technology would have benefits on the social security system.

■ Support of social security consultant organization

Social security consultant is more effective when he/she is under an organization rather than individual activity. If the management is done properly, performance management, evaluation, etc. social security consultant could be well motivated, thus resulting in better performance. The introduction of IT system that support such management is also desirable.

■ Assuring the quality of social security consultant

As the social security consultant system grows, there is also urgent need to increase the number of consultants with high service level and reliable. For example, for any social security consultant that

did fraudulent transactions, they will get their license withdrawn and their application terminated. Such system that is able to manage the social security consultants is needed.

#### 10.4 Possibility of System Integration in the Future

##### 10.4.1 Purpose and the Image of System Integration

As Figure 10-5 describes, BPJS Health's acquisition targets subscribers who are delinquent, mostly overlaps the domain of BPJS Employment's target (non-subscribers).

Therefore, when social security consultants start their business, it would be most effective to approach target of both BPJS and complete collection of both insurance premium in one operation.

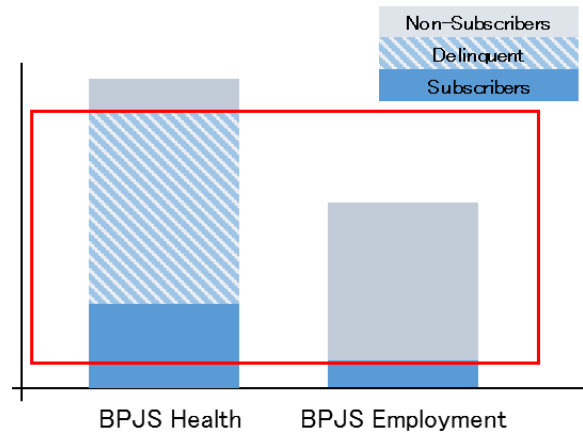
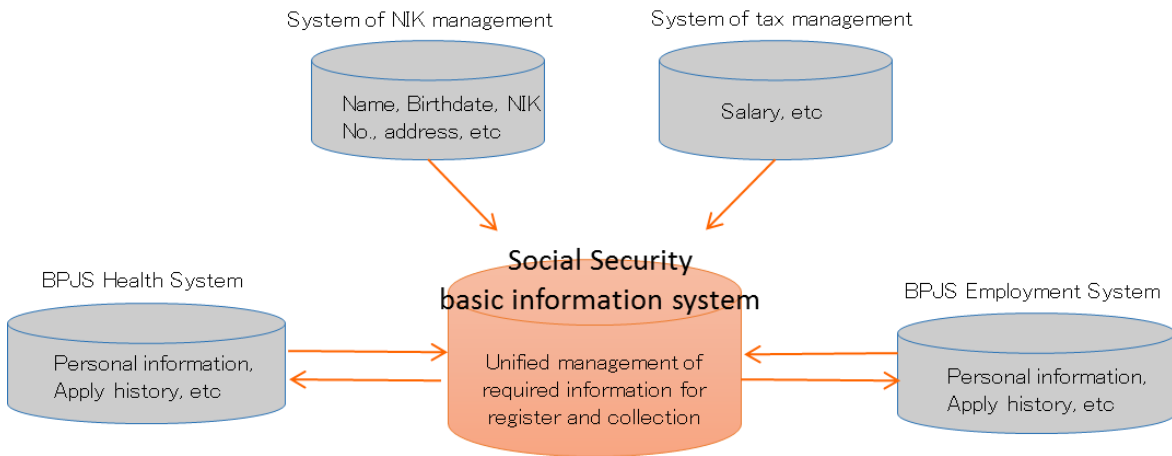


Figure 10-5: Image of System Integration

As a system realizing the above operation, the following configuration can be considered, for example.



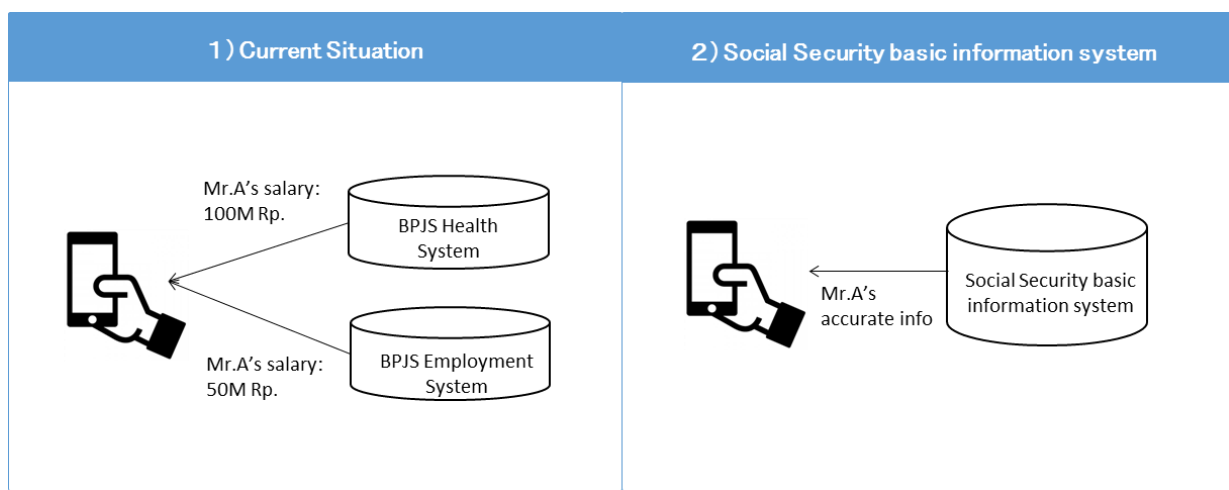
**Figure 10-6: Future Image of System**

(1) Architecture of a social security basic information system

It is expected to build a database that centrally manages the basic information related to social security consultant's activities, escribed as "Social Security Basic Information System" in Figure 10-6.

At present, it seems that BPJS Health and BPJS Employment manage the same kind of information (name, address, income information, etc) in each system separately. Therefore, when the social security consultants start their register/collection procedures, the information which is sent from both BPJS's systems may be different so not able to continue their work until a resolution is input. (Refer to "1) current condition" in Figure 10-7)

If a system for managing social security basic information can be constructed, centralized management of accurate information, it can realize efficient acquisition of non-subscribers, and collection of appropriate insurance premium.



**Figure 10-7: ICT Administration Image**

(2) Possibility of collaboration with information in other government agencies

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Additionally, it is desirable to refer to information already collected and managed by other government agencies when building a social security basic information system.

(3) Integration of business terminal

As mentioned in “ICT use of BPJS Health and BPJS employment”, KaderJKN/Perisai use smartphone, bank’s collection terminal, and Bluetooth printer. From the viewpoint of versatility, they can be unified to use only smartphone and Bluetooth printer by converting the process performed by the bank's payment terminal to an application that can be used on the smartphone.

If the above system configuration / terminal usage can be realized, the social security consultant will be able to visit the most effective target and register to both BPJS with the most efficient procedure.

#### **10.4.2 Required Conditions of Integrated System for Best Performance**

In order to helping the work of social security consultant, developing system for continued registration could not be done by only doing what has been described in the previous section 1.3.1 because social infrastructures condition also plays a large role.

(1) Stable communication environment

There are two types of tasks to be processed in the system: one that is suitable for batch processing at a suitable timing, such as daily, and one that is suitable for immediate processing. A process that only needs to be done once a day might not have so much of a problem, but task that happens in an unpredictable timing and task that needs to be in realtime will need a stable communication environment. For example, about insurance premium payment, if it’s not done in realtime, it could cause fraud or embezzlement.

There might not be much of a problem for communication environment in major cities but in the rural areas, more precautions need to be considered such as for when stable communication is not available.

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## Chapter 11 Summary

### 11.1 Challenges towards the Establishment the Qualification System on on Social Security Expert

#### Kader-JKN

- Nationwide implementation of Kader-JKN has already begun, so an increase in incentives is essential. In the case of home visit, IDR 2,500 is paid by BPJS Health, and IDR 5,000 is paid if the subscriber pays the premium. Even if Kader-JKN has other jobs, the amount of incentives does not motivate Kader-JKN to work intensively. Although there is information that BPJS Health is starting to pay 25% of the insurance premium collected as incentive, even with new measures, IDR 1,000,000 to 1,500,000 can be paid in case 100 subscribers is obtained. On the other hand, various expenses related to visits are not paid, so in order to make Kader-JKN a sustainable system, it is recommendable to set the level of incentives that Kader-JKN can live as a professional.
- Collaboration with financial institutions is indispensable for efficient nationwide deployment of Kader-JKN. BPJS Health currently have business alliances with the three main banks in Indonesia, but BPJS Health should expand network and develop infrastructure that can work in any region.

#### Perisai

- In order to register as Perisai, people need to open an account at CIMB Bank and install the application on their smartphone. Currently, Perisai can only use CIMB Bank, but this CIMB Bank is a strong bank for corporate service not retail services. Also, since the majority of branch offices of Banks are located in Jakarta, it is necessary to aggressively promote business alliance with other banks when considering Perisai's nationwide implementation. Although labor insurance has not experienced financial balance problems, since old-age pension will be paid after 2019, it is necessary to prepare for smooth operation in payment.
- Perisai is supposed to belong to Kantor Perisai, but at present there are no clear guidelines on its function. Perisai has been instructed directly by the marketing officer of the BPJS Branch Office, and Kantor Perisai plays a minor role.
- The incentive of Perisai is set at 7.5% of the collected amount of premium, but it is known that when considering the life of Perisai it fits in a very small amount. It will be necessary to increase the incentive to the level that they can live like Kader-JKN shown above. In fact, some of Perisai, who had been trained since November 2017, already stopped working, so urgent measures are necessary.

#### 11.1.1 Challenges in Social Security System

##### Health Insurance System (Policy)

- Ministry of Health and BPJS Health focus is on the extension of coverage to entire population by 2019 and premium collection. Regarding service delivery, they rely on traditional medical institutions and a few newly established medical institutions, but both quantity and quality are inadequate. In particular, accessibility to medical institutions in rural areas (islands) other than Java island is often difficult and thus



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immediate improvement is expected.

The Indonesian situation involves relatively high population density like Java island where accessibility to the medical institutions is relatively easy, but the situation is completely different outside Java Island. Therefore, in addition to fostering healthcare workers such as doctors and nurses, quality collateral resources are also required after performing sufficient training before assigning to the site. Thus, coordination between medical policy and health insurance policy is necessary.

It is necessary to establish better health insurance system of which it cannot to be said "There is an insurance but no service is provided.". Such words were once spoken of Japan after the War. Hence, continuous policy responses to improve the function of PUSKESMAS and health center are required.

- The fiscal deficit of the health insurance system has been regularly reported since 2015, and it is required to take some countermeasures. Under the existing system, poor people are supposed to receive health insurance cards free of charge, but handling after issuance is no different from subscribers who subscribe by paying normal insurance premiums. In general, it is said that health risks are high in poor people because living environment is difficult compared to urban employees, and thus it is assumed that access frequency of poor to medical institutions is high. There is a government subsidy by the provincial government, but the medical service provided is more than that. As a result, general society supports the poor people throughout the health insurance system, and the deficit of income is compensated from the subsidy.

In addition, in general the health insurance system should be designed to achieve fiscal balance in a single fiscal year. In Indonesia the premium rate is set very low for the purpose of lightening the premium burden of people as low as possible. For this reason, there is a high possibility that the financial resources will fall short. Hence, it is necessary to clarify to what would be an appropriate premium level in the health insurance system, and to discuss how to set the government burden in the health insurance system. (The public expense burden of Japan's National Health Insurance is 50%, which shows that it is very difficult to cover all the insurance premiums when applying to all citizens.)

Also, in Indonesia since there is a big gap in the poverty rate, the measures to be taken in each region (Papua State in around 30%, Jakarta special state in around 3%) will differ. Measures corresponding to the region are required.

- BPJS Health is aiming to extend the coverage of the health insurance system as the implementing agency, but the extension will also lead to an increase in expenditure on health insurance at the same time. Generally, in cases where the poor can subscribe free of charge, if the policy makers do not intend to adopt the public burden as a permanent mechanism, the government will need to provide financial support when the deficit becomes open ended. Although it is obvious that the current mechanism will lead to financial defect in the health insurance system, and if the deficit becomes chronic, possible countermeasures should be considered before losing the motivation of BJJS Health efforts.

### **Health Insurance System (Implementation)**

- Although Indonesia's health insurance system has become a chronic fiscal deficit in recent years, there are measures that cannot be dealt with in terms of implementation. Followings can be taken as measures to reduce medical costs from the contents confirmed through interviews.

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- Promotion of introduction of generic drugs (mass purchase by country, promotion of price reduction)
 

Majority of people prefer to receive original drugs.
  - Prohibition on sale of drugs received at medical consultation
 

There are cases that patients sell their prescribed drugs to pharmacies
  - Streamlining Medical Claim Review
 

With regard to medical services to be covered by health insurance, since the primary level applies the computation methods, thus medical costs can be easily controlled<sup>74</sup>, but above secondary level, in principle, fee-for-service method or DRG are introduced. All medical fee claims are made from the medical institutions, but the examination of claims is paper-based and only a small part has been judged. It is a field that urgently needs an effective review system.
  - Promotion of health promotion measures (especially against lifestyle diseases)
- According to this survey, the survey team has confirmed that the ratio of operating expenses to insurance premium income is around 10%. This is very high and it is imperative to reduce operational expenses.
  - Constant occurrence of adverse selection can be seen. Especially in rural areas, it is observed that people join the health insurance when they get sick and stop paying premium when they recover. If people apply for re-enrolling, they will be asked to pay the insurance premium for the past 12 months, but that is also a bad solution, which is not desirable from the institutional point of view.

### **Labour Insurance System (Policy)**

- Income security for the elderly will become an important issue after 2019. Especially old-age pension benefit starts to be paid from 2019, but for workers whose subscription period is less than 15 years, only lump-sum benefit is paid, and income issue after lump-sum benefit becomes an individual issue. In particular, the informal sector displays strong trends, and it is expected that the elderly in informal sector will be supported by family members as before. On the other hand, as aging progresses gradually, it is expected that the proportion of workers supporting one elderly person will decline, and the income security of elderly people is more likely to become a social problem. In fact, the Family Planning and Coordination Agency announced that the birth rate in 2017 was 2.4 which declined compared with previous years. For this reason, discussion about shortening requirement period for the old age pension from 15 years, extending retirement ages up to 65 years old (for example).
- The old-age benefit (Provident fund) was originally treated as a retirement income security (lump sum payment), but on 1 July 2015 when BPJS Employment was established, this old-age benefit became payable if claimant has the certificate of retirement issued by Local Labour Bureau (regardless of reasons such as self circumstances). As a result of this measure, many people receive benefits when they retire and there is a possibility that functions such as income security cannot be expected.
- Pension insurance benefits are determined by subscription years and average income amount (maximum monthly IDR 7,000,000). But the upper limit of pension benefits is IDR 3,600,000 and the lower limit is

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<sup>74</sup> Even so here is a issue of cream-skimming reminding.

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IDR 300,000. Discussions on whether this pension benefit level is sufficient for urban and rural areas should be made in the future. (For example: The average income of BPJS employment pre-sale pilot site in Yogyakarta, Java is about IDR 1,500,000.)

**Labour Insurance System (Implementation)**

- According to the survey interviews, it is confirmed that the operation cost of BPJS Employment is about 10% of the total amount premium collected. Like BPJS Health<sup>75</sup>, this is a high rate, and improvement of operational efficiency is required in the future. At present, PJS Employment has few staff against the national population, and it is required to improve operational efficiently against an increase in work volume due to extension of coverage, initiation of benefit of old age pension, etc.

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<sup>75</sup> Appropriate level of administration cost is 1% of total premium collected.

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## **11.2 Proposal on Timeline<sup>76</sup>**

In order to suggest the timeline for establishment of qualification system on social security expert, several scenarios should be considered. The following are the such scenarios:

### **Senario 1**

Through the implementation of Kader-JKN and Perisai as LSP P2 qualifications, after passing the implementation period of about several years, prescribe respective qualifications based on the Presidential Decree or the Cabinet Order, and at the same time such LSP obtain the LSP P3 accreditation.

The merit of this scenario is that implementing agency can grasp the challenges they face in implementing the qualification system in advance and can do various countermeasures before incorporating it into the legal system. Also, since guidelines based on various cases can be created, there is a high possibility that the national qualification can be implemented smoothly.

Meanwhile, as there is a possibility that time may be required to grasp the actual situation, it may take time to start work on legislation.

In addition, even if either BPJS Employment or BPJS Health precedes and becomes a national qualification, there is a high possibility to utilize the knowledge and experience of the preceding side. In addition, if there is a possibility of integration of qualifications, it will be easy to recognize the tasks to be studied.

### **Senario 2**

It is a case that Kader-JKN and Perisai are judged to be sufficient with LSP P2 qualification. At present, both BPJS are qualified as LSP P2, and they are already developing these qualifications nationwide. If it is judged that the extension of coverage / collection activities are sufficient, it can be assumed that the present qualification system will be decided adequately. There are possibilities for this scenario as long-term activities can be assumed for the application of informal sector workers and their families.

### **Seniario 3**

Improve the legal system concerning Kader-JKN and Perisai, then implement the qualification system, and if there is a problem, make corrections each time.

In this scenario, it is possible to inform the general public about the qualifications and their works at an early stage, and to operate the qualification system with high consciousness from the beginning as a vocational qualification approved by the Government. On the other hand, from the viewpoint of securing the quality of qualification holders, the implementin agency will deal with each issue through experience of implementation, so the burden on the institution that manages the qualification system is significant.

Also, prior to implementing the qualification system, coordination among related organizations is necessary on various cases.

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<sup>76</sup> It requires at least one year to prepare PP, and some case they need to register the name of PP in advance.







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### **11.3 Possibility of Unification of Kader-JKN and Perisai in the Future**

Both BPJS have already been obtained status as certification authority of LSP P-2. Kader-JKN and Perisai are expected to play very similar roles in expansion of coverage and premium collection, but different qualifications between them. Perisai requires an academic background and work experience.

Utilizing these two qualifications (as internal qualifications), both BPJS restrict the role on application and collection, and have implemented activities respectively. On the other hand, since incentives that can be obtained from each activity cannot be expected, it is reported that some of Kader-JKN and perisai have already stopped their activities in Kader-JKN and Perisai.

In order to make these two qualifications sustainable, it is most likely to add an additional role, and at the stage of granting the additional role<sup>77</sup>, "mutual qualification" (provisional) should be discussed, which can be a shortcut for integration of two qualifications. Some Kader-JKN have already been qualified as Perisai, because it is promoting efficient extension of coverage and collection of premiums.

With respect to Perisai, BPJS Employment should gradually consider to increase the role by which fees can be expected, such as the possibility of handling labor disputes.

Meanwhile, since labor-management conflict handling contains a public nature, it is difficult to explain externally with the present qualification LSP P-2; therefore, in such case, consideration to obtain LSP P-3 is desirable. However, since LSP P-3 is not a publically accepted qualification, it is difficult to implement by BPJS Employment.

In Japan, labor management expert and social insurance expert were implemented and separately supervised by the former Ministry of Labor, and the former Ministry of Health and Welfare. These two national qualifications were integrated as a Labor and Social Security Attorney later. Due to such circumstances, it is not unusual for this qualification to be individually formed and implemented, and it should be used as an institution for accumulating experience knowledge for future integration.

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<sup>77</sup> As an example of Japan, in 2007, specified social insurance labor attorney's scheme was introduced. This system is promote the legal aspect of the expert and contribute to solve labour replated conflicts such as power harassment, unpaid wage, etc.